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Annual Report 2022

Jenna Humphries
Living with migraine

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Cover
Jenna Humphries is an Australian national and has been living with migraine since childhood. Read her story on page 4.

Photography: Søren Svendsen, Sune Høegh, Chantal Mathieu, and Patryk Chorny.

Our Business Model

We are tirelessly dedicated to restoring brain health, so every person can be their best.

WHO WE ARE

One team, dedicated to restoring brain health

5,400 diverse and talented employees, operating across 50+ countries that work in close collaboration with partners, institutions, and patient advocacy groups to provide innovative treatments for brain diseases.

WHAT WE DO

Research & Development

Building a pipeline filled with premier neuroscience through partnerships, licenses, regional rights deals, or acquisitions.

Manufacturing

Four production sites, using responsibly sourced raw materials and certified safety and environmental management practices.

Marketing & Sales

Strong focus on brain health, with a product portfolio of strategic and heritage medicine brands marketed and sold in 100+ countries.

In-house advisory and support

Business support functions that enable efficient, modern, fit for purpose, and sustainable business processes.

HOW WE SERVE PATIENTS

Innovation

We work to understand the underlying disease biology and identify new targets in the brain for innovative, transformative treatments. We develop safe, reliable, and efficient manufacturing processes, and we actively use patient insights in our drug discovery efforts.

Raising awareness

We enter partnerships to co-create and publish evidence that fights stigma, and we advocate for political and systemic change. We partner with mission-similar stakeholders across our value chain to accelerate our efforts in advancing science and patient outcomes.

Sustainable production

We strive to create a robust supply chain through continuous improvement of reliability, quality, sustainability, and cost. We measure and monitor our environmental, social, and governance performance across our operations.

Constant care

We create the context, culture, and systems where all Lundbeck employees can be their authentic self and perform at their best, ultimately benefitting people living with brain diseases globally.

Education

We arrange scientific and promotional events and other activities to educate healthcare professionals and other stakeholders about brain health and the safe and effective use of our products.

Ethical business operations

We set high ethical standards in marketing and all interactions with healthcare professionals and patients.

VALUE CREATED

Meeting patient needs

Our portfolio of products reaches more than 8 million people on a daily average, increasing the guality of life for patients, championing disease awareness, and access to health.

Giving back to society

Everywhere we operate, we strive to make a positive contribution to our communities.

Creating shareholder value

Ensuring long-term, sustainable, profitable growth.

FOUNDATION OWNERSHIP

Majority foundation ownership with long-term commitment to brain health.

PATIENT PERSPECTIVE

A Bit of Understanding

We are sharing the voices of people living with brain diseases, because patients are at the heart of all we do. Read Jenna's full story on → www.lundbeck.com

Jenna Humphries from Australia has been living with migraine since childhood. This is her story about growing up with migraine and finding her purpose in a life marked by pain.

It happened when she was only seven years old, an age that is usually remembered as carefree by most adults in Australia. "I ended up in the hospital and throwing up all over doctors," Jenna says, vividly remembering her first severe attack. Throughout high school, she lived with migraine. She had to push herself through it and take painkillers almost daily.

"I JUST LIVED LIFE AS I COULD"

While the teenage years are usually exciting and packed with social events, due to her migraine, Jenna had to say no to most social activities - the pain was just too draining. "Growing up, I've always been in constant pain, so for me, there was nothing different. I didn't go out very often because I was in too much pain, or I was throwing up a lot. I just lived life as I could," she elaborates.

Despite symptoms ranging from severe headaches to light sensitivity (photophobia) and vomiting every 20 minutes, Jenna experienced a lot of discrimination at school from teachers and friends who did not understand.

"IT'S JUST A HEADACHE"

The most debilitating part of living with migraine for Jenna was that she felt that people often did not believe her. Eventually, Jenna decided to stop asking for help because she felt there was no point. "This was the attitude of most people while I was growing up: 'it's just a headache'. No one believed that you can be so young and get migraine," Jenna says.

"It's hard for people to understand what I am going through. No one believes that I can be in so much pain and just still be going about my day. I do it because I must, I don't have a choice," she adds.

> "It's hard for people to understand what I am going through. No one believes that you can be in so much pain."

A BIT OF UNDERSTANDING

Thanks to the right treatment that works for her, Jenna is now able to travel and fully enjoy playing with her two kids. Today, she very rarely experiences severe attacks. Around once a month, she experiences what she calls a small migraine, which is not as bad as it used to be.

If there was one thing Jenna could change in society to support people with migraines, it would be a bit more understanding from others. "I just want a bit of understanding and leniency. If I don't want to talk due to a bad headache, people should not be offended by that."

Jenna Humphries with her husband and two daughters.

2022 in Brief

Jorge Botello
Director, People & Communication
Hyun Jin Song
Director, People & Communication

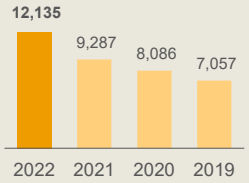
IN THIS SECTION

Financial Key Figures

2022 saw exceptional growth of our strategic brands. We also saw accelerated revenue growth across our three regions.

REVENUE FROM STRATEGIC BRANDS
DKKm

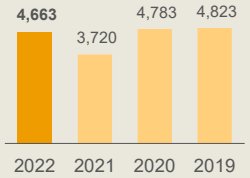
12,135
1,631 EURm **1,709** USDm



In aggregate, strategic brands grew 31%, representing 67% of total revenue, which amounted to DKK 18,246 million in 2022.

OPERATING PROFIT BEFORE DEPRECIATION AND AMORTIZATION (EBITDA)
DKKm

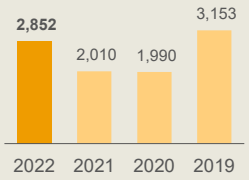
4,663
627 EURm **657** USDm



Following the solid growth in revenue and prudent cost spend, **EBITDA increased 25%. The EBITDA-margin increased from 23% to 26%.**

PROFIT FROM OPERATIONS (EBIT)
DKKm

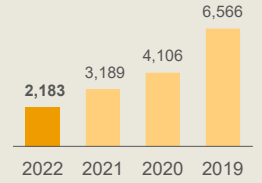
2,852
383 EURm **402** USDm



EBIT grew 42% compared to 2021, and EBIT margin reached 15.6%.

NET DEBT
DKKm

2,183
293 EURm **308** USDm



Net debt has decreased to DKK 2,183 million in 2022 from DKK 3,189 million at year-end 2021.

Key Events*

Lundbeck's shareholders approved a new share structure with A-shares and B-shares to increase financial capacity to fund future growth opportunities.

Joerg Hornstein joined Lundbeck as Chief Financial Officer and Head of Corporate Functions.

Lundbeck reported positive study results, assessing the efficacy of vortioxetine in a head-to-head comparison to desvenlafaxine in patients suffering from Major Depressive Disorder (MDD).

Lundbeck made strides in the field of digital biomarkers via a collaboration with French company FeetMe focusing on the use of sensor shoe soles that monitor walking ability in people living with Parkinson's.

Lundbeck in China launched a new digital Patient Care Solution program. The program strives to address the challenge of treatment access and other major pain points Chinese patients and healthcare professionals face.

Lundbeck and Otsuka Pharmaceutical Co., Ltd. (Otsuka) announced positive results showing reduced agitation in patients with Alzheimer's dementia treated with brexpiprazole.

Lundbeck announced that results from a clinical study with eptinezumab have been recognized for their importance for the scientific and medical community and accepted for publication in the prestigious journal Lancet Neurology.

Otsuka and Lundbeck announced that the European Medicines Agency (EMA) has accepted the Marketing Authorization Application for aripiprazole as a 2-month, ready-to-use, long-acting injectable.

Lundbeck conducted the largest study ever to observe early-stage multiple system atrophy (MSA).

Lundbeck celebrated Copenhagen Pride with a local Pride Parade at the Lundbeck Headquarters, supporting employees' and other external stakeholders' freedom to be themselves.

Lundbeck announced that the company has become a partner of the EHDEN Consortium. Lundbeck now joins the 11 public partners, and 12 industry partners, adding our expertise, resources, and support.

Lundbeck signed a credit agreement concerning the existing EUR 1.5 billion revolving credit facility to incorporate sustainability-linked targets.

Lundbeck and Otsuka announced U.S. Food and Drug Administration (FDA) acceptance of New Drug Application for aripiprazole 2-month, ready-to-use, long-acting injectable to treat schizophrenia and bipolar I disorder in adults.

Vyepti®, Lundbeck's treatment for migraine, launched in a total of nine markets in 2022, furthering Lundbeck's ambitious launch plan.

Lundbeck celebrated World Mental Health Day across the globe, putting a focus on the growing burden of global mental health issues and the importance of mental wellbeing for all.

Lundbeck announced positive data showing Trintellix®/Brintellix® significantly reduced depressive symptoms and improved cognitive performance in people living with MDD and co-morbid dementia.

Lundbeck announced FDA acceptance and priority review of a supplemental New Drug Application (sNDA) for brexpiprazole for the treatment of agitation associated with Alzheimer's dementia**.

Lundbeck announced that Thomas Gibbs will join Lundbeck as Executive Vice President and Head of Lundbeck in the U.S. by the end of February 2023.**

* The list of events is ordered chronologically
** Announced in January 2023

Sustainability Key Figures

ACCESS TO BRAIN HEALTH

+8 million

Our portfolio of products reaches more than 8 million people on a daily average*

BUSINESS ETHICS COMPLIANCE

98.6%

employees completed the annual e-learning on the Code of Conduct

CLIMATE ACTION

▼29%

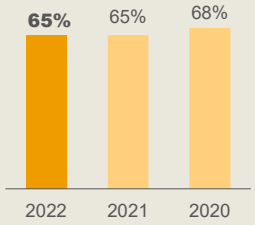
reduction in scope 1 & 2 carbon emissions vs. 2019 SBTi target baseline

▼3%

estimated decrease in scope 3 carbon emissions vs. 2019 SBTi target baseline

CHEMICAL RECYCLING

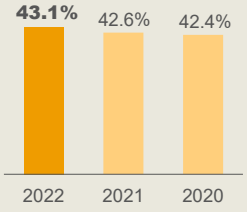
65%



Recovery and reuse of the organic compounds used in chemical production**

WOMEN IN MANAGEMENT

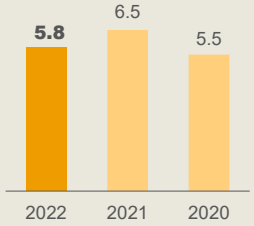
43.1%



Gender split for all people managers globally of 43.1% women and 56.9% men

HEALTH & SAFETY

5.8



Frequency of lost time accidents per one million working hours for all employees globally

* Estimated patient years, based on 2022 sales data for Lundbeck products, excluding Otsuka partner products
** Targets are set annually based on expected production volume and mix

Read more in our Sustainability Report

Letter to Shareholders

In 2022, we stayed the course on our strategy to Expand and Invest to Grow. We are learning and adapting as we forge ahead, enabling greater impact across all that we do. Strong focus on execution of our strategic brands resulted in significant revenue growth. Our newest strategic brand, Vyepti®, continues to grow strongly, gaining momentum due to its proven efficacy for patients.

We continue to reorient our business to discover and develop transformative medications for indications in niche neurology and psychiatry treated by specialists, and rare diseases in neurology, so we can best deliver to patients.

Life-cycle management activities around our strategic brands are also yielding results. We are pleased that brexpiprazole (Rexulti®/Rxulti®) has been accepted for priority review by the FDA to treat agitation in Alzheimer's dementia. This is the first drug proven to address an indication in a debilitating disease impacting both patients and their caregivers.

We also submitted for approval the 2-month, long-acting injectable formulation of aripiprazole in the U.S., Canada, and Europe. This will better support schizophrenia patients in adhering to their treatment plans.

> "We are effectively maximizing our existing brands; they are showing a steady pace of growth across all regions of the world"

With the initiation of the HOPE study, we are assessing efficacy, safety, and tolerability of PACAP (pituitary adenylate cyclase-activating polypeptide) inhibition, initially as a treatment for the prevention of migraine. We believe this is another promising pathway to addressing migraine and other pain disorders, and we are excited about the potential to help patients who may require a new approach for migraine prevention.

We have also initiated a phase II study for a potential new treatment of the rapidly progressive, neurodegenerative disease called multiple system atrophy (MSA). We have high expectations for this project, as it has the potential to be the first disease-modifying treatment to be approved for the treatment of patients with MSA.

MAINTAINING A STEADY PACE OF GROWTH

We are effectively maximizing our existing brands; they are showing a steady pace of growth across all regions of the world.

Our newest brand, Vyepti® (eptinezumab), is increasing momentum in the U.S. and was launched in nine additional countries in 2022 and is delivering relief to patients most impacted by migraine. In China, we did hit a setback with the SUNLIGHT study, which was conceived to get faster track access for Vyepti® through studying it in patients with migraine and concurrent medication overuse headache (MOH). The learnings from our first use of eptinezumab in Chinese patients have been incorporated into the pivotal pan-Asian SUNRISE study, for which headline results are expected in 2025. Vyepti® is both a new category and modality for us, and we are proud how the team has been able to pivot and apply learnings as they move forward. We will continue to invest behind the global launch of Vyepti® as our first independent global launch.

Managing mental health is an issue at the forefront of society which is garnering increased attention. In line with this increased global focus, we are seeing strong growth of our products that help to manage depression and anxiety. Our largest brand, Brintellix®/Trintellix®, marketed together with our partner Takeda Pharmaceutical Company Limited (Takeda), continues to show accelerated growth particularly in Japan and Europe. Our major brands, Rexulti® and Abilify Maintena®, partnered with Otsuka, have continued to grow strongly in all the markets where they are launched. We look forward to launching new indications and formulations of these two brands in 2023.

BUILDING A MORE ROBUST PIPELINE

Four years ago, we set out to rebuild our pipeline and now we have a more robust mid-stage pipeline, with two compounds having moved into phase II in late 2021. Multiple focused phase Ib studies are guiding the future development of other promising compounds within an interesting phase I portfolio.

Our internal discovery work is focused around four biological clusters that our therapies of the future would address. We are rebuilding our pipeline, adressing new biologies, with new approaches and new technologies, while also taking what we have built up over the years in new directions.

More products across the portfolio are being developed together with biomarkers, making the path through to phase III less risky.

To accelerate our advancements in neuroimmunology, we acquired a promising CD40L inhibitor from AprilBio (Lu AG22515) in 2021. In early 2022, we achieved the first-in-human dosing of Lu AG22515, our first program of the neuroimmunology cluster to move into clinical development. Lu AG22515 binds to CD40L with rich opportunities to treat immune-mediated central nervous system (CNS) disorders.

RESILIENCE IN UNPRECEDENTED TIMES

We live in unprecedented times, where within a few short years we have had to navigate our business through a global pandemic, a war, and high levels of inflation and other forms of global uncertainty.

Ensuring that we remain agile, invest in our pipeline and technology, and take the right decisions to secure the long-term, sustainable future of the business has been of the utmost importance. In 2022, Lundbeck signed a credit agreement concerning the existing EUR 1.5 billion revolving credit facility to incorporate sustainability-linked targets.

This existing 4-year sustainability-linked loan underscores Lundbeck's commitment to environmental, social, and governance targets.

ENSURING FINANCIAL CAPACITY FOR GROWTH

Earlier this year, the Lundbeck Foundation proposed and worked together with Lundbeck to initiate a split of the H. Lundbeck A/S share.

This facility gives us an additional tool in our financial toolbox as we seek to expand our options for growth and value creation, while at the same time securing the long-term stability ensured by the Lundbeck Foundation's majority holding. The growth opportunities we seek to include will build and strengthen our pipeline and marketed product portfolio to the benefit of all stakeholders.

Although there are currently no immediate plans to use this facility, it does give us additional capacity to invest down the line into the long-term future of the business.

> “Every day we are impressed how our people strive for the highest levels of excellence across all that they do”

THANKS TO A STELLAR TEAM

We want to take this opportunity to thank Lundbeck´s employees for their dedication and hard work for patients. We have a great team that is truly dedicated to restoring brain health, so every person can be their best.

Every day we are impressed how our people strive for the highest levels of excellence across all that they do; Lundbeck is mid-sized and ambitious, with a can-do spirit, finding the best ways to ensure significant presence in all matters related to furthering brain health, so every person can be their best.

Deborah Dunsire
President and CEO

Lars Søren Rasmussen
Chair of the Board

Deborah Dunsire
President and CEO
Lars Rasmussen
Chair of the Board

Our Business

José Luis Molinuevo
Vice President and Head of Experimental Medicine

IN THIS SECTION

Strategy Update

Since launching our Expand and Invest to Grow strategy in 2019, we continue to make strong progress, fueled by our purpose, to restore brain health so every person can be their best.

EXPAND & INVEST TO GROW: OUR STRATEGY IN BRIEF

We have taken significant strides to expand our operating space through the acquisitions of Abide and Alder in 2019, which gave us the platforms needed to expand our areas of focus in neuroscience. With the 2020 launch of Vyepti® in the U.S. and the global roll-out which was initiated in 2021, we are establishing a new frontier in migraine prevention for the patients that need it the most and expanding our presence into protein-based therapies.

Furthermore, we are continuously expanding our existing portfolio of medicines into new markets. The changes we made to how we approach R&D enable us to de-risk our internal pipeline compounds in early development.

Amanpreet Kaur Sekhon
Lead Consultant

We utilize an experimental medicine approach to identify the effects of a drug in carefully selected patient populations, to find the most efficient clinical pathway powered by biomarkers and study designs and advance the most promising drug candidates into full development.

The geographical expansion of Vyepti® and the continuing efforts to grow and expand strategic brands, along with several other life cycle management projects, are all crucial to our future.

We have made choices on where to accelerate and enhance the use of digital solutions within our operations and R&D. Also, we have taken steps to fortify our winning culture with increased agility, collaboration, diversity, and inclusion.

These are just a few of the many actions that are helping us deliver on the promise of our strategy to yield sustainable, long-term profitable growth.

CREATING VALUE THROUGH OUR UNIQUE POSITION

Our goal continues to be providing innovative treatments for patients that create value for Lundbeck.

Achieving our fullest potential as a mid-size, highly specialized pharmaceutical company requires that we thoughtfully concentrate our efforts where we can make the most difference for patients.

While we maximize the great medicines and brands that we already have, we simultaneously focus on growing our pipeline with treatments for brain diseases for which there are few, if any, treatment options.

By focusing on niche and rare disease neurology and psychiatry indications which are treated by specialist physicians, we can best take advantage of our size and strong relationships with these healthcare providers to deliver powerful solutions to challenging diseases.

We currently promote medicines that, in some countries, both primary care physicians and specialists treat. We will continue to promote these excellent medicines, working with our partners to reach these larger numbers of physicians.

Just as important to growing our pipeline and selling our medicines is the manufacturing of our medicines, whether internally or via external contract manufacturing.

We have strong internal capabilities within small and large molecules to support our R&D pipeline, including monoclonal antibody design, process and formulation development capabilities, as well as end-to-end internal small molecule manufacturing facilities.

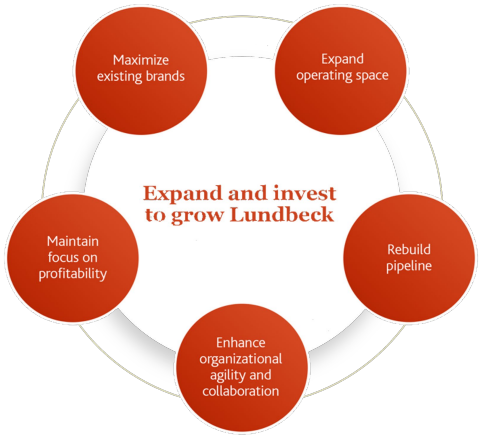


Figure 1: Lundbeck's strategic imperatives

Our three priorities across "Production, Development & Supply" remain quality, reliability, and cost. We have a robust track record on all three parameters and ambitious goals to continuously improve performance with a strong focus on operational excellence and sustainable sourcing.

We aim to build on what we have achieved and capitalize further on the strong fundamentals that are deeply ingrained in Lundbeck; our rich heritage of developing and producing life-changing treatments for patients, our deep scientific knowledge in psychiatry and neurology, and our patient-centric mindset.

We will focus on embracing new biologies and technologies, adjusting and learning as we forge ahead.

In the future, we will work with even more agility and collaboration across geographies, simplifying our processes and accelerating our ability to test and learn for faster, higher-quality decision making.

This will fully leverage our diverse talent, knowledge, and skillsets so that we can pursue solving some of the biggest brain disease challenges with the greatest patient reward.

OUR LONG-TERM AMBITION

Over the past two years, we have made strategic choices around where we put our efforts across our entire business.

Besides providing innovative and life-changing treatments for brain disease, we aim to be a strong advocate in reducing stigma.

We believe in educating influential stakeholders that there is no health without brain health, so more people get access to the care they need.

Our long-term ambition is to be #1 in Brain Health in the eyes of the patients we tirelessly serve. We strive to learn and adapt, aiming high to find ways to serve patients even better.

What does it mean to be #1 in Brain Health?

We aim high and strive for more in all that we do. We aim to be the leader in brain health, in the eyes of our patients. We know we are well on our way when:

We have top quartile financial results in our peer group. By focusing on our patients and our products, top financial performance will follow.

We have a premier neuroscience pipeline filled with assets that will make a difference to our patients.

We have an established and focused commercial footprint around commercially attractive patient segments in niche and rare neurology and psychiatry, treated by specialists.

We are best in class in terms of how we use digital technologies to improve patient outcomes.

We are a company leveraging diversity, where top talents within neuroscience aspire to work.

We continue to deliver sustainable growth in revenue and profitability.

And finally, we are on track to be carbon neutral before 2050. Giving back to society is equally as important as financial performance.

The culmination of all this together is what will make us #1 in Brain Health, serving the people who need new medicines to help them conquer brain diseases. It will take every brain being fully "in the game" to achieve it. We continue to prioritize and act, year by year to stay on track.

Performance Review and Outlook 2023

2022 saw exceptional growth of our strategic brands and accelerated revenue growth across our three regions. We continue to make good progress on our Expand and Invest to Grow strategy and revitalizing our pipeline, with two projects entering clinical phase II trials.

Overall, revenue and EBIT are in line with the revised financial guidance provided on November 8, 2022 as a result of solid product sales and tailwinds from favorable foreign exchange rates, mainly U.S. dollars (USD) and Canadian dollars (CAD).

Revenue reached DKK 18,246 million in 2022 compared to DKK 16,299 million in 2021. EBIT grew 42% compared to 2021 and reached DKK 2,852 million. EBIT margin reached 15.6%. Net profit for the year ended at DKK 1,916 million (DKK 1,318 million in 2021), corresponding to a growth of 45%.

We continue to see strong growth in our strategic brands which include Abilify Maintena® (schizophrenia), Brintellix®/Trintellix® (depression), Rexulti®/Rxulti® (depression/schizophrenia) and our newest product, Vyepti® (prevention of migraine).

In 2022, we continued the global roll-out program of Vyepti®.

In aggregate, strategic brands grew 20% in local currencies, reaching DKK 12,135 million in 2022 or 67% of total revenue.

The newest product in the portfolio, Vyepti®, launched in April 2020 in the U.S., has now reached DKK 1,004 million in 2022 compared to DKK 492 million in 2021. Vyepti® continues its steady, upward growth trajectory, as it has launched in nine markets in 2022 alone.

In 2019, Lundbeck set up commercial operations in Japan to co-commercialize Trintellix® together with Takeda. The product continues to be very successful in Japan and holds 9% market share after three years of being on the market, making it one of the most successful Brintellix®/Trintellix® launches to date.

Lundbeck's early-stage pipeline continued to progress, but also saw data driven terminations. The two projects that entered Proof of Concept (phase II) testing at the end of 2021, Lu AF82422 and Lu AG09222, are progressing well with expected headline results within the next 12 months.

Additionally, the clinical program for brexpiprazole provided very positive results from the phase III trial in patients suffering from agitation in Alzheimer's dementia.

Our top priority continues to be to provide innovative treatments that create value for patients; value for Lundbeck will then ultimately follow.

With the global launch of Vyepti®, we are in the process of building a migraine and specialty pain franchise and we continue the transformation of our R&D organization to build a pipeline around high unmet medical needs, in specialist treated neuroscience indications.

TOTAL REVENUE 2022

DKKm	2022	2021	Growth	Growth in local currencies
Brintellix®/Trintellix®	4,277	3,526	21%	13%
Rexulti®/Rxulti®	3,890	2,849	37%	21%
Abilify Maintena®	2,964	2,420	22%	16%
Vyepti®	1,004	492	104%	80%
Strategic brands	**12,135**	**9,287**	**31%**	**20%**
Cipralex®/Lexapro®	2,360	2,346	1%	(2%)
Onfi®	636	657	(3%)	(14%)
Sabril®	426	505	(16%)	(25%)
Other pharmaceuticals*	3,000	3,104	(3%)	(9%)
Other revenue	277	347	(20%)	(22%)
Effects from hedging	(588)	53	-	-
Total revenue	**18,246**	**16,299**	**12%**	**7%**

* Northera® lost exclusivity in February 2021 and from January 1, 2022 onward is reported together with Other pharmaceuticals

Financial Performance

2022 product portfolio

Our strategic brands are:

- Abilify Maintena® (schizophrenia)
- Brintellix®/Trintellix® (depression)
- Rexulti®/Rxulti® (depression/schizophrenia)
- Vyepti® (migraine prevention)

Our product portfolio also includes:

- Azilect® (Parkinson's disease)
- Cipralex®/Lexapro® (depression)
- Ebixa® (Alzheimer's dementia)
- Northera® (symptomatic neurogenic orthostatic hypotension)
- Onfi® (Lennox-Gastaut syndrome)
- Sabril® (epilepsy)
- Xenazine® (chorea associated with Huntington's disease)
- Other mature products

Read more on pages 25-26.

SALES PERFORMANCE

Revenue reached DKK 18,246 million in 2022 compared to DKK 16,299 million in 2021. The strategic brands grew 20% in local currencies (31% reported) and reached DKK 12,135 million or 67% of total revenue.

Lundbeck's geographical structure was changed as of January 1, 2022. Following the change, the geographical split of revenue has been subject to modifications. With the new geographical structure, Canada was moved to International Markets and smaller markets were moved between International Markets and Europe. The United States (U.S.) is now reported on a stand-alone basis.

U.S.

Revenue reached DKK 9,102 million in 2022 compared to DKK 7,481 million in 2021. The strategic brands increased by 19% in local currency (35% reported) and reached DKK 7,324 million or 80% of total revenue, compared to 72% in 2021. The sales growth was primarily driven by strong demand but also positively impacted by the appreciation of the U.S. dollar. U.S constituted 49% of total revenue (excluding effects from hedging and Other revenue), which is a small increase from last year.

Rexulti® is Lundbeck's largest product in the U.S. Lundbeck's share of revenue reached DKK 3,645 million following a growth of 20% in local currency (36% reported). Rexulti® has a stable volume market share of 2.3% as of October 2022*. Patient data suggest that more than 3/4 of prescriptions are for MDD.

Trintellix® sales reached DKK 1,650 million in revenue for Lundbeck representing a growth of 1% in local currency (15% reported). Prescribing dynamics in the MDD market has changed following the pandemic. This can be attributed to several factors, including the continued increased use of telehealth among psychiatrists, lower impact on generics from the pandemic compared to branded products, and medications for adjunct MDD. The lower number of prescriptions (NBRx) remains at a lower level for the total market compared to pre-pandemic.

While Lundbeck and our partner Takeda have optimized promotional efforts for Trintellix® over recent years, we are actively addressing changed prescribing patterns. The volume market share is slightly down to 0.9% as of November 2022.* The value market share of the total anti-depressant market has increased from 24.2% in January 2021 to 30% as of October 2022.*

REVENUE – U.S.

DKKm	2022	2021	Growth	Growth in local currencies
Rexulti®	3,645	2,675	36%	20%
Trintellix®	1,650	1,435	15%	1%
Abilify Maintena®	1,047	812	29%	14%
Vyepti®	982	489	101%	77%
Strategic brands	**7,324**	**5,411**	**35%**	**19%**
Sabril®	636	657	(3%)	(14%)
Onfi®	426	505	(16%)	(25%)
Other pharmaceuticals**	716	908	(21%)	(30%)
Total revenue	**9,102**	**7,481**	**22%**	**7%**

* IQVIA
** Northera® lost exclusivity in February 2021 and from January 1, 2022 onward is reported together with Other pharmaceuticals

Abilify Maintena® revenue reached DKK 1,047 million, representing Lundbeck's share of total net sales. Abilify Maintena® has a stable volume market share of 23% as of October 2022.*

Vyepti® was approved by the FDA on February 21, 2020, for the preventive treatment of migraine in adults. The product was made available on April 6, 2020 and reached a doubling of sales to DKK 982 million in 2022 compared to 2021. Vyepti® has around 5% volume share of the migraine prevention market.

Sabril® revenue is stable and reached DKK 636 million and **Onfi®** revenue reached DKK 426 million.

In **Other pharmaceuticals**, **Northera®** sales reached DKK 488 million for the year compared to DKK 665 million for 2021 following the launch of generic versions of droxidopa in February 2021.

INTERNATIONAL MARKETS

Revenue from International Markets reached DKK 5,203 million in 2022. As of January 1, 2022, International Markets included Canada, alongside all Lundbeck's markets outside of Europe and the U.S. The revenue growth of 6% in local currencies (13% reported) was mainly driven by Brintellix® and Abilify Maintena® in China, Canada, Japan, Brazil, and Australia. The strategic brands increased by 21% in local currencies (30% reported) and reached DKK 2,066 million or 40% of sales.

International Markets constituted 28% of total revenue (excluding effects from hedging and Other revenue), which is an increase from last year.

Brintellix®/Trintellix® is Lundbeck's second largest product in International Markets after Cipralex®/ Lexapro®. Sales reached DKK 1,316 million in revenue or an increase of 21% in local currencies (30% reported). Brintellix® realized exceptional growth across several markets including Brazil, Japan, China, and Canada, but growth was also impacted by quarterly fluctuations in shipments. Canada, China, Brazil, Japan, and South Korea are the largest markets for Brintellix® in the region. In Japan, Trintellix® is showing a strong momentum and has reached a volume and value market share of 7.5% and 10.1%, respectively as of October 2022.* In December 2021, Trintellix® had a value share of 5.8%.

Abilify Maintena® reached DKK 535 million in revenue representing a growth of 16% in local currencies (25% reported). Sales are mainly derived from Canada and Australia, where Abilify Maintena® showed robust sales performance despite pandemic-related restrictions. In Australia, the volume share has reached 31% and in Canada, it has reached 34% as of October 2022.* Countries such as Saudi Arabia, the United Arab Emirates (U.A.E.), and Kuwait also positively contributed.

Rexulti® reached DKK 204 million in sales and grew by 27% in local currencies (38% reported). In International Markets, the product has its highest sales in Canada followed by Brazil and Australia. In Canada, the volume share of Rexulti® has increased to 3.7% as of October 2022, compared to 3.2% as of December 2021.* In Australia, Rexulti® has maintained a market share of around 2.3% in volume as of October 2022*. In Brazil, Rexulti® has a stable market share of 1.8% compared to 1.6% as of December 2021* and most of the product growth in the region came from Brazil.

Vyepti® was launched in Australia, Canada and Singapore in 2022. Sales reached DKK 11 million in 2022. Vyepti® was launched in the U.A.E as the first market outside the U.S. in 2020 and has obtained a volume market share among the other aCGRP's and gepants of 13%.*

Cipralex®/Lexapro® continues to be Lundbeck's largest product in the region. The product generated revenue of DKK 1,698 million representing a growth of 2% (down 2% in local currencies). Japan, China, South Korea, Brazil, and Canada are the largest markets for Cipralex®/Lexapro® in International Markets.

Other pharmaceuticals generated revenue of DKK 1,439 million. **Azilect®** is promoted by Lundbeck in some countries in Asia. Azilect® generated revenue of DKK 196 million, compared to DKK 132 millon in 2021, while **Ebixa®** generated revenue of DKK 439 million, compared to DKK 381 million in 2021.

REVENUE – INTERNATIONAL MARKETS

DKKm	2022	2021	Growth	Growth in local currencies
Brintellix®/Trintellix®	1,316	1,013	30%	21%
Abilify Maintena®	535	427	25%	16%
Rexulti®/Rxulti®	204	148	38%	27%
Vyepti®	11	3	267%	233%
Strategic brands	**2,066**	**1,591**	**30%**	**21%**
Cipralex®/Lexapro®	1,698	1,662	2%	(2%)
Other pharmaceuticals	1,439	1,344	7%	0%
Total revenue	**5,203**	**4,597**	**13%**	**6%**

* IQVIA

EUROPE

Revenue reached DKK 4,252 million in 2022 compared to DKK 3,821 million in 2021. In general, Europe sees robust underlying demand offset by a continuous negative average price development and continued generic erosion on the mature product portfolio. The strategic brands increased by 20% in local currencies and reached DKK 2,745 million or 65% of sales. The largest markets in Europe are Spain, Italy, France, Switzerland, and United Kingdom (U.K.). Europe constituted 23% of total revenue (excluding effects from hedging and Other revenue), which is the same as last year.

Abilify Maintena® is Lundbeck's largest product in Europe. Sales uptake of Abilify Maintena® is robust with revenue reaching DKK 1,382 million. Abilify Maintena® is the second most prescribed long-acting injectable treatment for patients with schizophrenia in many markets. In markets such as the U.K. and Finland, it is the most prescribed product in the category. Spain, Italy, and France are the largest European markets for Abilify Maintena®.

Brintellix®/Trintellix® revenue grew 22% in local currencies reaching DKK 1,311 million. Brintellix® is Lundbeck's second largest product in Europe and realized solid growth across many markets. Brintellix® has seen significant market share gains across Europe, but especially in markets such as Spain and Italy.

Rexulti®/Rxulti® revenue reached DKK 41 million following a growth of 50% in local currencies compared to 2021. The product is launched in 10 markets in Europe for the treatment of schizophrenia and will be launched in Ukraine and Hungary later in 2023. Rexulti®/Rxulti® is co-promoted with Otsuka in most markets in Europe.

Vyepti® was granted marketing authorization in the European Union (E.U.) in January 2022. Revenue reached DKK 11 million in 2022. Vyepti® is now launched in Finland, Germany, and Switzerland. Lundbeck plans to launch in additional E.U. markets in 2023 and many more markets onwards, following pricing and market access discussions in each market.

REVENUE – EUROPE

DKKm	2022	2021	Growth	Growth in local currencies
Abilify Maintena®	1,382	1,181	17%	17%
Brintellix®/Trintellix®	1,311	1,078	22%	22%
Rexulti®/Rxulti®	41	26	58%	50%
Vyepti®	11	0	-	-
Strategic brands	**2,745**	**2,285**	**20%**	**20%**
Cipralex®	662	684	(3%)	0%
Other pharmaceuticals	845	852	(1%)	0%
Total revenue	**4,252**	**3,821**	**11%**	**12%**

EXPENSES AND PROFITS

In 2022, total costs increased by 8% to DKK 15,394 million compared to DKK 14,289 million for 2021.

Cost of sales increased by 8% to DKK 3,951 million in 2022 and **the gross margin** was 78.3% compared to 77.6% for 2021. Part of cost of sales relates to amortization of product rights which was DKK 1,371 million compared to DKK 1,274 million for 2021. Amortizations have increased due to appreciation of USD and additional amortization of Vyepti® following the European approval. **The core gross margin** increased from 85.7% to 85.9%.

Sales and distribution costs were DKK 6,610 million in 2022, an increase of 12% compared to 2021, as the activity level in general is increasing especially for Vyepti® launch preparations and patient activation programs in the U.S. Sales and distribution costs corresponded to 36.2% of revenue in 2022, compared to 36.1% for 2021.

Administrative expenses compared to 2021 increased by 16% to DKK 1,079 million, corresponding to 5.9% of total revenue. The increase is mainly a result of legal costs, cloud-based software that is recognized directly in the income statement, FX development and a donation to The Red Cross communicated in the financial report for the first half of 2022.

Research & development costs were DKK 3,754 million in 2022 with an R&D ratio of 20.6%. R&D costs are mainly impacted by the completion of phase IV study on vortioxetine.

Total operational costs (OPEX) reached DKK 11,443 million in 2022 compared to DKK 10,641 million in 2021 corresponding to an increase of 8%.

Reported EBIT grew by 42% thereby reaching DKK 2,852 million in 2022. The EBIT margin reached 15.6% compared to 12.3% in 2021. **Core EBIT*** increased by 18% to DKK 4,155 million compared to DKK 3,517 million in 2021 and Core EBIT margin was 22.8% compared to 21.8% in 2021.

Following the solid growth in revenue and prudent cost spend, **EBITDA** increased 25% thereby reaching DKK 4,663 million. EBITDA-margin increased from 23% to 26%.

TAX

The effective tax rate for 2022 was 22.6% compared to 16.6% for 2021.** The effective tax rate has increased significantly compared to 2021, as 2021 was positively impacted by recognition of tax credits not previously recognized. The FY2022 tax rate is negatively impacted by the non-deductible CVR payment regarding Vyepti EMA approval but offset by the Danish research and development incentive.

* For definition of the measure "Core EBIT" and "Core EBIT margin", see pages 106-107 on Core Reconciliation
** Please find Lundbeck's tax policy on https://www.lundbeck.com/content/dam/lundbeck-com/masters/global-site/pdf/Lundbeck_Tax_Policy_2022.pdf

PROFIT AND EPS

Profit for 2022 reached DKK 1,916 million compared to DKK 1,318 million in 2021. The reported net profit corresponded to an EPS of DKK 1.93 versus an EPS of DKK 1.33 for 2021. Core EPS was DKK 3.22 for 2022, compared to a Core EPS of DKK 2.51 in 2021.

CASH FLOW

Cash flow from operating activities amounted to an inflow of DKK 3,519 million in 2022 compared to an inflow of DKK 2,272 million in 2021. The development compared to 2021 is impacted by higher EBITDA, offset by the realized financial expense in connection with the payment of the contingent consideration for the EMA approval of Vyepti®. The EMA approval of Vyepti® triggered a payment to the former Alder BioPharmaceuticals' shareholders of USD 2 per share. This resulted in a payment of DKK 1,566 million, which is recognized with DKK 490 million in operating activities and DKK 1,076 million in investing activities.

Cash flow from investing activities was an outflow of DKK 1,892 million in 2022 compared to an outflow of DKK 610 million in 2021. In 2022, the cash flow was primarily driven by the payment of contingent consideration related to the EMA approval of Vyepti®.

Cash flow from financing activities was an outflow of DKK 387 million in 2022 compared to an outflow of DKK 3,336 million in 2021. The main decrease in cash outflow related to the drawing on the Revolving Credit Facility needed for the payment triggered by the EMA approval of Vyepti®.

The **net cash inflow** reached DKK 1,240 million compared to a net outflow of DKK 1,674 million in 2021, which included repayment of a DKK 2 billion loan. The net cash inflow in 2022 was negatively impacted by the EMA approval of Vyepti® and the dividend payout of DKK 397 million, which was approved at the Annual General Meeting in March 2022.

DIVIDEND

The Board of Directors proposes a dividend of 30% of net profit for 2022 in line with our pay-out policy of 30-60%. This corresponds to DKK 0.58 per share for both A- and B-shares or a total of DKK 578 million. The dividend pay-out is subject to approval at the Annual General Meeting on March 21, 2023.

PRELIMINARY FINANCIAL GUIDANCE 2023

For the financial guidance for 2023 and going forward, Lundbeck will focus on revenue performance and from first quarter 2023 and onwards, Adjusted EBITDA, providing an improved and more consistent assessment of the underlying business performance.

In 2023, Lundbeck will continue the global roll-out of Vyepti with approximately 15 launches. Additionally, Lundbeck plans to launch aripiprazole two-month ready-to-use (2M RTU) and brexpiprazole for significant unmet need for patients with Alzheimer's dementia manifesting the severe symptom of agitation, pending approvals later in 2023.

The financial guidance for 2023 reflects the investments needed in these important launches driving significant future growth.

Lundbeck continues to expect strong growth for its strategic brands despite continued pricing pressure and loss of exclusivity (LoE) in some geographies. Inflation will have a significantly higher impact on 2023 than seen in 2022.

Further, a provision of approximately DKK 300 million for Vyepti inventory obsolescence is reflected in the guidance for 2023.

Lundbeck carries foreign currency risk mainly in USD, CNY and CAD. The financial guidance for 2023 is based on the exchange rates at the end of November 2022. The financial guidance for 2023 is based on current hedging rates for the main currencies, i.e. USD/DKK (7.02), CNY/DKK (1.03) and CAD/DKK (5.26) and the financial guidance for 2023 includes an expected hedging loss of approximately DKK 75 million.

Based on our assumptions for product and geographical mix, it is estimated that a 5% change of the USD/DKK exchange rate will impact revenue by around DKK 350 million.

Current expectations for 2023 are summarized below:

FINANCIAL GUIDANCE 2023

DKK	FY 2022 actual	FY 2023 guidance
Revenue	18,246 million	19.4-20.0 billion
EBITDA	4,663 million	4.8-5.2 billion

MID-TERM TARGETS

Lundbeck is in a period with limited impact from major regional losses of exclusivity and anticipates solid growth of its strategic brands.

We expect that in 2023 and 2024 there will be targeted investments behind the potential blockbuster opportunity for brexpiprazole for the treatment of agitation associated with Alzheimer's dementia. Based on organic growth, we expect revenue to show a mid-single digit compound annual growth rate (CAGR) over the mid-term period (3-4 years).

At the same time, we remain focused on driving efficiencies and being prudent in our spending. Based on these assumptions, we target an EBITDA-margin of 30-32% for the current business, excluding any business development activities by the end of the mid-term period.

Forward-looking statements

Forward-looking statements are subject to risks, uncertainties, and inaccurate assumptions. This may cause actual results to differ materially from expectations. Various factors may affect future results, incl. interest rates and exchange rate fluctuations, delay or failure of development projects, production problems, unexpected contract breaches or terminations, governance-mandated or market-driven price decreases for products, introduction of competing products, Lundbeck's ability to successfully market both new and existing products, exposure to product liability and other lawsuits, changes in reimbursement rules and governmental laws, and unexpected growth in expenses.

Science and Innovation

Over the past year, we have consistently demonstrated leadership in the CNS space through our approach to science and innovation. It's an approach rooted in our commitment to persist in a complex space, shaped by our agile mindset and defined by our bold ambition to restore brain health.

Being dedicated to brain health, we have the heritage, expertise, and passion to translate forefront science into transformative treatment outcomes for patients. There are huge opportunities to make a difference; the unmet patient needs are enormous, and the number of affected people is rising, while the scientific progress in the area opens up for new possibilities to develop impactful treatments.

EXECUTING THE R&D STRATEGY

The unmet medical needs of the patients we serve, guide everything we do in R&D, spanning from early research to support of marketed products.

In 2022, Lundbeck continued to advance the R&D strategy to be premier in neuroscience. By nurturing a dedicated, flexible, and diverse working environment, maintaining focus on programs with a strong biological rationale, integrating patient insights in everything we do, and building strong external collaborations, we are successfully progressing our pipeline.

In January 2022, Vyepti® (eptinezumab) was approved by the E.U. Commission for the preventive treatment of migraine in adults. During the year we continued registering and launching Vyepti® in markets across the world and we will continue our ambitious launch plan during 2023.

In June 2022, Lundbeck, in partnership with Otsuka, announced positive results showing reduced agitation in patients with Alzheimer's dementia treated with brexpiprazole in a phase III study (NCT03548584).

Agitation is a very prevalent clinical manifestation in Alzheimer's dementia and one of the most complex and stressful aspects of care in patients affected by dementia. It is associated with greater caregiver burden, earlier nursing home placement, increased morbidity and mortality, and a substantial economic burden. Currently, there are no FDA-approved pharmacological treatments for agitation associated with Alzheimer's dementia.

In July 2022, the primary and key secondary results on Vyepti® (eptinezumab) from the DELIVER study (NCT04418765) in patients with chronic or episodic migraine and prior preventive treatment failures was published in the high-impact medical journal Lancet Neurology.

In September 2022, Lundbeck completed the recruitment ahead of time for the Lu AF82422 phase II trial (AMULET) for potential new treatment of MSA.

In October 2022, Lundbeck successfully completed the Life Cycle Management program for Brintellix®/Trintellix® with the MEMORY trial (NCT04294654) showing reduced depressive symptoms, improved cognitive performance, and quality of life in MDD patients with mild to moderate dementia.

DEVELOPMENT PORTFOLIO

We believe that what fuels innovative drug discovery is a focus on the most promising science. We want to be in touch with, and at the leading edge of, where the neuroscience field is headed in our understanding of the brain and the pathophysiology that underpins brain health.

Through pursuit of novel targets within four biological clusters upon which we are focused, we are advancing truly innovative solutions to areas of significant unmet need in brain diseases.

The four biology clusters are:

1. **Hormonal / neuropeptide signaling**: Targeting selected pathways of pain signaling, stress, and other neurohormonal responses.
2. **Circuit / neuronal biology**: Targeting neurotransmission / synaptic dysfunction to restore brain circuits and reduceneurological, psychiatric, and pain symptoms.
3. **Neuroinflammation / neuroimmunology**: Targeting neuronal loss due to an overactive immune system, relevant across many niche and rare neurological disorders.
4. **Protein aggregation, folding, and clearance**: Targeting neurodegenerative proteinopathies involved in a range of neurodegenerative conditions, e.g., Alzheimer's dementia and Parkinson's disease as well as rare diseases characterized by proteinopathy such as MSA.

HORMONAL / NEUROPEPTIDE SIGNALING

Eptinezumab – development and regulatory status

Eptinezumab is a monoclonal antibody (mAb) that binds to the calcitonin gene-related peptide (CGRP), a neuropeptide that play a key role initiating and maintaining migraine.

Eptinezumab is administered as a quarterly 30-minute intravenous (IV) infusion, providing immediate and complete bioavailability.

In February 2020, Vyepti® was approved by the FDA as the first FDA-approved IV treatment for prevention of migraine in adults. Eptinezumab has subsequently been approved by around 45 regulatory authorities, including the E.U., and is currently under regulatory review in additional countries.

To enable expansion into Asia, the SUN-trials (NCT04921384, NCT05064371) are ongoing. A small, spearheading trial, SUNLIGHT (NCT04772742), conceived as a potential accelerated path for migraine patients with MOH in China, did not achieve statistically significant separation from placebo, although numerical differences were seen favoring eptinezumab.

Based on these results, we increased the sample size in the SUNRISE trial (NCT04921384).

Lu AG09222 – phase II

Lu AG09222 represents a potential new therapeutic option for the treatment of migraine, which unlike the recently available calcitonin gene-related peptide (CGRP) migraine treatment drug class, targets pituitary adenylate cyclase-activating polypeptide (PACAP).

PACAP and its receptors are broadly expressed in the nervous system, including at sites implicated in migraine pathophysiology. In pre-clinical and clinical studies in healthy subjects, Lu AG09222 has been shown to bind with high affinity to PACAP, thereby preventing PACAP from activating its receptors.

In 2021, Lundbeck completed a study confirming the target engagement of Lu AG09222 with PACAP (NCT04976309). In this study, the preventive effect of Lu AG09222 on vasodilation induced by PACAP was investigated and confirmed. Subsequently, in November 2021, Lundbeck initiated the HOPE study, a randomized, double-blind, phase II, proof of concept study to assess efficacy, safety, and tolerability of Lu AG09222 as a treatment for the prevention of migraine (NCT05133323) with headline results planned for mid-year 2023. A total of 230 patients, recruited from specialist settings, have been randomly allocated to one of three treatment groups: high/low dose of Lu AG09222 or placebo. This study has completed enrollment. Recently, Lundbeck completed a multi-dose study conducted in allergic rhinitis subjects (NCT05126316) demonstrating dose-proportionality following sub-cutaneous administration of Lu AG09222 and further validating its good safety and tolerability profile. Also, exploratory readout of pharmacodynamic (PD) allergic responses was obtained guiding the compound's further development.

Lu AC13909 – phase I

Lu AG13909 is a novel approach to target neuro-hormonal dysfunctions of the hypothalamic–pituitary–adrenal (HPA) axis caused by elevated levels of adrenocorticotropic hormone (ACTH) produced in the pituitary gland. Lu AG13909 is a humanized anti-ACTH IgG1 monoclonal antibody that neutralizes ACTH-induced signaling in the adrenal glands by blocking ACTH binding to the melanocortin 2 receptor (MC2R).

A phase I first in human trial (NCT05669950) has been initiated December 2022 in patients with Congenital Adrenal Hyperplasia (CAH), which encompasses a group of autosomal recessive rare disorders affecting 1 out of 10-20,000 live births. The phase I trial aims at establishing the safety and efficacy profile of Lu AG13909 after single and multiple doses.

CIRCUITRY / NEURONAL BIOLOGY

Brexpiprazole – phase III in Alzheimer's agitation

In June 2022, Lundbeck and Otsuka reported positive results showing reduced agitation in patients with Alzheimer's dementia treated with brexpiprazole (NCT03548584). In the study, the improvements from baseline on the primary endpoint of Cohen-Mansfield Agitation Inventory (CMAI) for patients receiving brexpiprazole or 2 mg/day or 3 mg/day were statistically greater than for those receiving placebo (p=0.0026). This result was supported by a statistically superior improvement on the key secondary endpoint of CGI-S, as related to agitation (p=0.0055).

Brexpiprazole was generally well tolerated, and no new safety signals were observed. The only Treatment Emergent Adverse Event (TEAE) with more than 5% incidence in patients treated with brexpiprazole was headache (6.6% vs. 6.9% for placebo). The following TEAEs occurred at an incidence of at least 2% in the brexpiprazole treatment group and greater than that of placebo: somnolence, nasopharyngitis, dizziness, diarrhea, urinary tract infection, and asthenia.

Based on this outcome, Lundbeck and Otsuka filed an sNDA to the FDA in the 4th quarter of 2022, which was accepted for priority review at the beginning of January 2023. The sNDA application includes the above-mentioned trial as well as two earlier trials.

Plain language summaries of clinical trials

To support a broader understanding of Lundbeck's clinical research, and to make our R&D efforts more accessible to patients and carers, Lundbeck has started to create plain language summaries of our clinical trial results.

A plain language summary explains what happened during a clinical trial in easy-to-understand language. It includes information about the purpose, results, and other facts about the trial. These are made available to all patients that participate in a Lundbeck-sponsored clinical trial in the same language as their signed Informed Consent Form. We post our plain language summaries on Lundbeck.com.

In Lundbeck, we are continuously increasing our efforts to support our patient-centric belief, including prioritizing initiatives that take into consideration the patient perspective in our trial designs.

Brexpiprazole – phase III in post-traumatic stress disorder (PTSD)
Lundbeck and Otsuka reported positive findings for the combination treatment of brexpiprazole and sertraline for the treatment of PTSD in November 2018 from an exploratory 4 arm phase II trial. Based on these data, Lundbeck and Otsuka initiated two pivotal phase III trials (NCT04124614; n=577 and NCT04174170; n=733), investigating the use of brexpiprazole in combination with sertraline in the treatment of PTSD, after an End of Phase II meeting with the FDA in May 2019. The execution of those two ongoing studies was severely challenged by the COVID-19 pandemic, primarily impacting enrollment rates. After FDA feedback, it was decided that the two trials will be concluded with reduced sample size. HLR expected in the second half of 2023.

Aripiprazole – 2-Month Injectable (LAI) formulation
A long-acting injectable formulation ensures substantially prolonged exposure to medication.

Through such a simplified treatment regimen, many of the challenges with poor treatment adherence may be reduced, resulting in a potentially improved impact on patient outcomes.

In July 2019, Lundbeck and Otsuka initiated a pivotal phase Ib study (NCT04030143) to determine the safety, tolerability, and pharmacokinetics of multiple-dose administrations of aripiprazole to adult participants with schizophrenia or bipolar I disorder using a new formulation aimed at proloinging further the duration of aripiprazole exposure at clinically effective concentrations. The study was an open-label, multiple-dose, randomized, parallel-arm, multicenter study.


Betina Wandel Frederiksen
Director, Quality Control

In addition to the assessment of safety and tolerability, the objective was to establish the similarity of aripiprazole concentrations on the last day of the dosing interval and the exposure in the last dosing interval following the final administration of aripiprazole into the gluteal muscle site. The study showed that a new 2-month formulation provided effective plasma concentrations of aripiprazole for two months, while being safe and tolerable. The new 2-month formulation is an innovative addition to the long-acting injectable (LAI) franchise and has patent protection until the early part of the next decade.

Lundbeck and Otsuka have during 2022 submitted the Marketing Authorization Application (MAA) for aripiprazole as a 2-month ready-to-use (RTU) LAI for the maintenance treatment of schizophrenia in adult patients stabilized with aripiprazole to the EMA, as well as to the FDA and Health Canada for the treatment of schizophrenia and bipolar disorder.

Lu AG06466 – phase Ib
Lu AG06466 is an inhibitor of the monoacylglycerol lipase (MAGL) and selective modulator of the endocannabinoid system, and thereby works to reduce excessive neurotransmission and neuroinflammation that are known pathophysiological hallmarks for a range of psychiatric and neurological disorders. A phase Ib study was initiated in September 2020 with the purpose to investigate the effect of Lu AG06466 after multiple doses in patients with PTSD (NCT04597450). This exploratory study using biomarkers and clinical outcome measures will, together with previous studies conducted in small phase Ib patient population, guide decision making for future development of Lu AG06466 and other molecules of the MAGL inhibitor class that the company has in the pipeline,

Lu AF28996 – phase I
Lu AF28996 is a small molecule with agonistic properties towards D1 and D2 receptors. Continuous D1 and D2 dopamine receptor stimulation may play an important role in motor control of Parkinson's disease patients. A phase Ib study was initiated in February 2020 on Lu AF28996 with the purpose to investigate the safety and tolerability as well as pharmacokinetics of Lu AF28996 in patients with Parkinson's disease (NCT04291859).

NEUROINFLAMMATION / NEUROIMMUNOLOGY

Lu AG22515 – phase I
In October 2021, Lundbeck acquired an exclusive license to Lu AG22515 (formerly APB-A1) from AprilBio Co. Ltd in South Korea. Lu AG22515 is a recombinant bispecific fusion protein that binds to albumin for longer half-life. The CD40L inhibitor interferes with the activation of the adaptive immune response by blocking the CD40L/CD40 co-stimulatory interaction on immune cells. Lu AG22515 holds strong promise in the potential treatment of a wide range of autoimmune-related CNS disorders and neurological diseases with autoreactive T-cells, B-cells, and marked presence of autoantibodies and inflammation. A First-in-Human study (NCT05136053) testing single ascending doses of Lu AG22515 in healthy volunteers was initiated in the U.S. in March 2022.

PROTEIN AGGREGATION, FOLDING, AND CLEARANCE

Lu AF82422 – phase II

Lu AF82422 is a monoclonal antibody (mAb) targeting the pathological form of the protein alpha-synuclein that is believed to play a pivotal role in the development and progression of MSA, Parkinson's disease, and other neurodegenerative disorders. By targeting pathological alpha-synuclein with an antibody that will inhibit aggregation and potentially clear pathological alpha-synuclein from the brain, the project aims to demonstrate delay of disease progression with a therapeutic effect on disease burden and function. A phase II proof-of-concept trial commenced in November 2021 to investigate the safety and efficacy of Lu AF82422 in MSA. Recruitment was completed in November 2022. Orphan drug designation for MSA was granted by the EMA in April 2021.

Lu AF87908 – phase I

Lu AF87908 is a monoclonal antibody (mAb) targeting the pathological form of the hyper-phosphorylated tau protein, which is believed to play a pivotal role in the development and progression of Alzheimer's dementia and other tau-driven neurodegenerative disorders (primary tauopathies).

Lu AF87908 binds to a specific tau epitope (pS396-tau) which is a dominating phosphorylation site in pathological tau. A phase I program on Lu AF87908 commenced in September 2019 to investigate the safety and tolerability as well as pharmacokinetics of a single dose of Lu AF87908, in healthy subjects and patients with Alzheimer's dementia (NCT04149860).

OTHER PROJECTS

Lundbeck's long experience and continuous work within diseases of the brain have provided us with a strong global network in preclinical and clinical neuroscience research. It is essential for us to maintain our strong internal R&D capabilities and to build external alliances to supplement our internal capabilities, taking advantage of the increased opportunities provided by innovative technologies.

With the support from the world-renowned Michael J. Fox Foundation, Lundbeck is combining its biomarker discoveries with leading microfluidic experts at the Danish Technical University (DTU) to develop a state-of-the-art biomarker assay for Parkinson's disease.

MOH is a headache that results from the frequent use of acute medicines or painkillers. Today, no specific diagnosis code exists for MOH, which complicates identification of patients suffering from MOH. Lundbeck has developed a machine-learning algorithm to identify patients with MOH, based on data from electronic health records and insurance claims data. Once validated, such an algorithm can give us much better insight into health-related information about patients with MOH such as demographics, diagnoses, and medication use. This will be important for possible future development of treatment for patients with MOH.

In 2022, Lundbeck became a partner of the EHDEN Consortium. Lundbeck joined the 11 public partners, and 12 industry partners to add our expertise, resources, and support in creating an ecosystem for working with real-world data across Europe.

In 2022, Lundbeck organized two 'Let the patient speak' events, inviting patients and caregivers to share their perspectives about their disease and treatment experience, ultimately helping Lundbeck to incorporate insights into innovation and integrated evidence generation efforts. The events focused on the topic of patient engagement in clinical trial design and execution as well as on input from personal disease management and community experiences, which in turn can help Lundbeck improve our drug discovery efforts.

Commitment to diversity in clinical trials

Lundbeck understands that brain diseases wreak havoc without bias. Whether it be genetics, age, race, sex, ethnicity, socioeconomics, or access to healthcare, understanding and fully evaluating the multitude of factors that influence a person's health are key to both the development of good medicine and equitable advances in brain health. As part of our ongoing commitment to sustain a diverse clinical trial infrastructure, we have established the below Clinical Trial Diversity Principles and committed to tracking and monitoring progress against them.

Develop and execute a clear strategy to achieve diversity in our trials globally

We aim for each trial to be designed with intention to ensure participants mirror the full diversity of the patient population in the country or region AND the disease we are studying. This will require a concentrated effort to involve underrepresented populations in our marketed regions through focused patient-inclusion criteria; attention to the diversity of clinical trial sites and investigators; removal of barriers that could impede the participation of certain groups in clinical trials; and use of real-world data to inform development efforts and improve understanding of diseases and products.

Collaborate with patient advocacy groups choosing to make diversity a priority

Lundbeck has a longstanding focus on community outreach, and we are committed to expanding partnerships with organizations that possess a like-minded focus on diversity. In collaboration with external partners, we strive to establish trust with diverse patient and caregiver populations, gain deeper insight into unmet patient needs, and build awareness about open clinical trials to further enhance the diversity of our clinical trials.

Implement integrated oversight approach to inform, analyze, and act

We aim to continuously inform and reform our internal thinking and processes by actively monitoring clinical trial diversity targets and utilizing real-world data to ensure we are driving inclusion of underrepresented populations in our clinical trials.

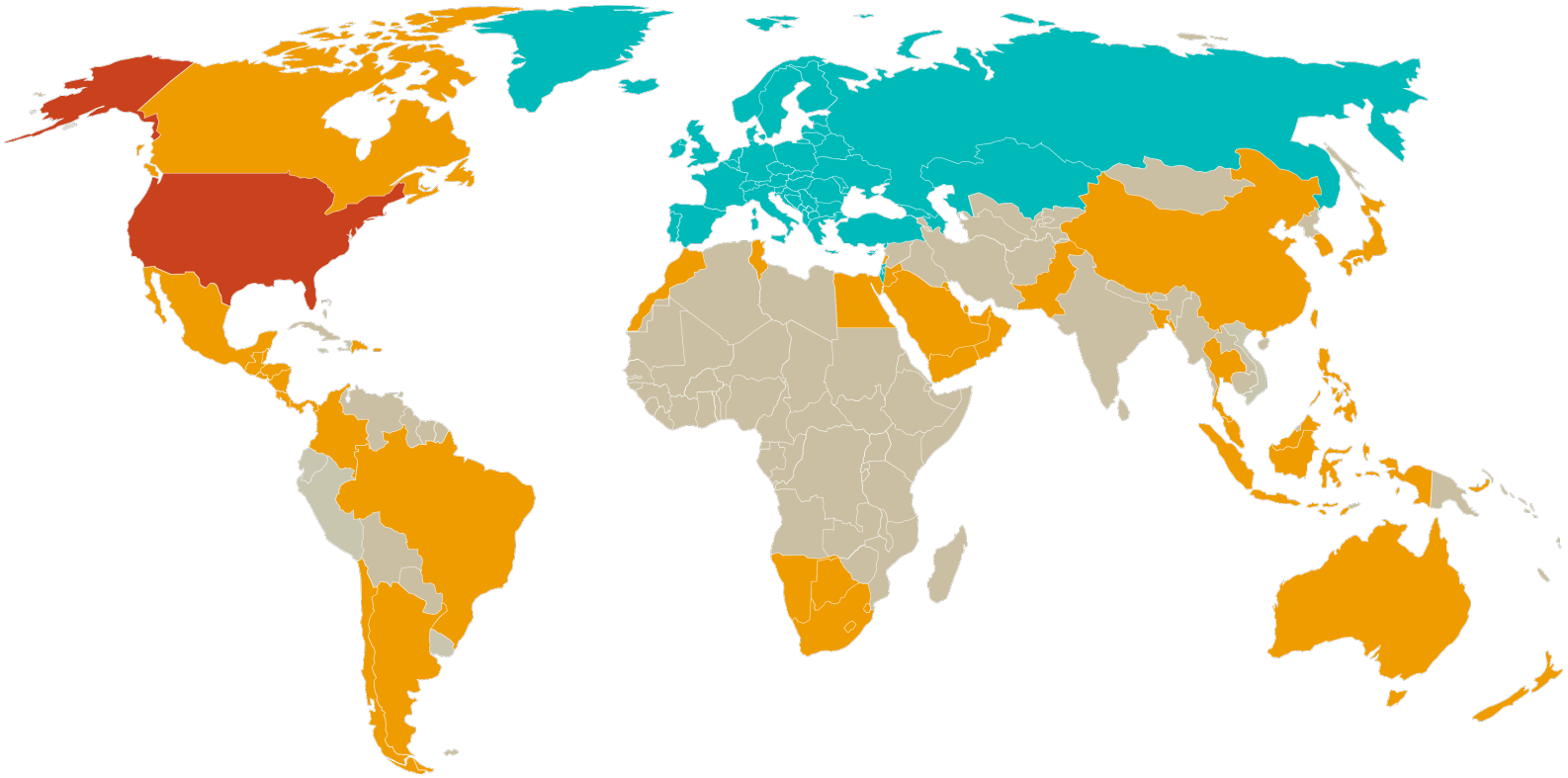
Pipeline

PROJECT	BIOLOGY	AREA	PHASE I	PHASE II	PHASE III	FILING / LAUNCH
Eptinezumab (anti-CGRP mAb)[1]	**Hormonal / neuropeptide signaling**	Migraine prevention[2]				
Eptinezumab (anti-CGRP mAb)[1]		Cluster headache				
Lu AG09222 (anti-PACAP mAb)[3]		Migraine prevention				
Lu AG13909 (anti-ACTH mAb)[4]		Neurohormonal dysfunctions				
Aripiprazole 2-month injectable formulation[5]	**Circuitry / neuronal biology**	Schizophrenia & bipolar I disorder				
Brexpiprazole[6]		Agitation in Alzheimer's dementia				
Brexpiprazole[6]		PTSD[7]				
Lu AF28996 (D1/D2 agonist)[8]		Parkinson's disease				
Lu AG06466 (MAGL inhibitor)[9]		PTSD[7]				
Lu AF82422 (anti-α-synuclein mAb)	**Protein aggregation, folding and clearance**	Synucleinopathies (MSA)[10]				
Lu AF87908 (anti-Tau mAb)		Tauopathies				
Lu AG22515 (CD40L antagonist)[11]	**Neuroinflammation / neuroimmunology**	Neurology				

1) CGRP: Calcitonin gene-related peptide
2) Three phase III clinical trials (SUNLIGHT, SUNRISE, and SUNSET) are related to the Asia registration activities
3) PACAP: Pituitary adenylate cyclase activating peptide
4) ACTH: Adrenocorticotropic hormone
5) Life cycle management in partnership with Otsuka
6) Acts as a partial agonist at 5-HT1A and dopamine D2 receptors at similar potency, and an antagonist at 5-HT2A and noradrenaline alpha1B/2C receptors
7) Post-traumatic stress disorder
8) Dopamine receptor D1 and D2
9) MAGL: Monoacylglycerol lipase i ("MAGlipase")
10) Multiple system atrophy
11) CD40L/serum-albumin bispecific antibody-fragment ((scFv)2-Fab)) based on AprilBio's SAFA™ technology platform

Markets

Lundbeck's products are registered in more than 100 countries and we have employees in more than 50 countries. Our largest markets are the U.S., China, Canada, Spain, Italy, France, Japan, Brazil, Australia, and South Korea.



U.S.*

REVENUE (DKKm)

9,102

SHARE OF GROUP REVENUE

49%

REVENUE FROM STRATEGIC BRANDS (DKKm)

7,324

STRATEGIC BRANDS

Abilify Maintena®
Brintellix®/Trintellix®
Rexulti®/Rxulti®
Vyepti®

INTERNATIONAL MARKETS*

REVENUE (DKKm)

5,203

SHARE OF GROUP REVENUE

28%

REVENUE FROM STRATEGIC BRANDS (DKKm)

2,066

STRATEGIC BRANDS

Abilify Maintena®
Brintellix®/Trintellix®
Rexulti®/Rxulti®
Vyepti®

EUROPE*

REVENUE (DKKm)

4,252

SHARE OF GROUP REVENUE

23%

REVENUE FROM STRATEGIC BRANDS (DKKm)

2,745

STRATEGIC BRANDS

Abilify Maintena®
Brintellix®/Trintellix®
Rexulti®/Rxulti®
Vyepti®

* The figures above are excluding Other revenue of DKK 277 million and negative hedging effects of DKK 588 million

Products

STRATEGIC BRANDS

Abilify Maintena®
(aripiprazole once-monthly)

Monthly intramuscular injection indicated for the treatment of schizophrenia. Lundbeck markets Abilify Maintena® in the U.S. in collaboration with Otsuka and in Europe and International Markets either alone or in collaboration with Otsuka. Launched in the U.S. in 2013, hereafter launched in close to 40 countries.

REVENUE (DKKm)

2,964 ▲22%

% OF TOTAL REVENUE

16%

Brintellix®/Trintellix®
(vortioxetine)

Indicated for the treatment of MDD. Lundbeck markets Brintellix®/Trintellix® in Europe and International Markets. In the U.S. and Japan, Takeda is our co-promotion partner. Launched in the first markets in 2014 and now available in approximately 60 countries.

REVENUE (DKKm)

4,277 ▲21%

% OF TOTAL REVENUE

23%

Rexulti®/Rxulti®
(brexpiprazole)

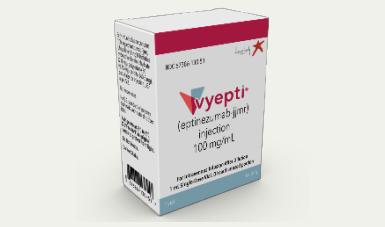
Indicated for adjunctive therapy for the treatment of adults with MDD and as a treatment for adults with schizophrenia. Launched in the U.S. in 2015 in collaboration with Otsuka, hereafter in a number of other countries.

REVENUE (DKKm)

3,890 ▲37%

% OF TOTAL REVENUE

21%



Vyepti®
(eptizumab)

Indicated for the preventive treatment of migraine in adults. Lundbeck markets Vyepti® across all three regions in the U.S., E.U., and International Markets. Launched in the U.S. at the beginning of 2020, and now available in 12 countries across the world.

REVENUE (DKKm)

1,004 ▲104%

% OF TOTAL REVENUE

6%

Products

MATURE BRANDS

Cipralex®/Lexapro®
(escitalopram)

Indicated for the treatment of depression. First launched in 2002 and today available in more than 100 countries around the world.

REVENUE (DKKm)

2,360 ▲1%

% OF TOTAL REVENUE

13%

Onfi®
(clobazam)

Indicated as adjunctive treatment of Lennox-Gastaut syndrome for people aged two years or older. Launched in the U.S. in 2012.

REVENUE (DKKm)

426 ▼16%

% OF TOTAL REVENUE

2%

Sabril®
(vigabatrin)

Indicated for the treatment of refractory complex partial seizures (rCPS) and infantile spasms (IS). Launched in the U.S. in 2009.

REVENUE (DKKm)

636 ▼3%

% OF TOTAL REVENUE

3%

Other pharmaceuticals

Northera® (symptomatic neurogenic orthostatic hypotension (nOH)), Ebixa® (dementia), Azilect® (Parkinson's disease), Xenazine® (chorea), Deanxit® (depression), Cipramil® (depression and anxiety), and Cisordinol® (psychosis) are among the biggest of our other mature brands.

REVENUE (DKKm)

3,000 ▼3%

% OF TOTAL REVENUE

16%

Summary for the Group 2018-2022

Statement of profit or loss (DKKm)	2022	2021	2020	2019[1)]	2018[1)]
Revenue	18,246	16,299	17,672	17,036	18,117
Research and development costs	3,754	3,823	4,545	3,116	3,277
Operating profit before depreciation and amortization (EBITDA)	4,663	3,720	4,783	4,823	6,436
Profit from operations (EBIT)	2,852	2,010	1,990	3,153	4,846
Net financials, expenses	378	429	84	127	12
Profit before tax	2,474	1,581	1,906	3,026	4,834
Profit for the year	1,916	1,318	1,581	2,313	3,553

Assets (DKKm)	2022	2021	2020	2019[1)]	2018[1)]
Non-current assets	26,040	26,041	25,924	29,095	13,944
Inventories	4,046	3,031	2,163	2,204	1,753
Receivables	3,818	3,302	4,018	3,822	3,261
Cash, bank balances and securities[2)]	3,548	2,279	3,924	3,012	6,635
Total assets	**37,452**	**34,653**	**36,029**	**38,133**	**25,593**

Equity and liabilities (DKKm)	2022	2021	2020	2019[1)]	2018[1)]
Equity	20,779	18,279	16,973	16,782	16,833
Non-current liabilities	8,474	7,556	9,044	11,071	1,184
Current liabilities	8,199	8,818	10,012	10,280	7,576
Total equity and liabilities	**37,452**	**34,653**	**36,029**	**38,133**	**25,593**

Statement of cash flows (DKKm)	2022	2021	2020	2019	2018
Cash flows from operating activities	3,519	2,272	3,837	2,609	5,981
Cash flows from investing activities	(1,892)	(610)	(467)	(7,755)	(2,907)
Cash flows from operating and investing activities (free cash flow)	1,627	1,662	3,370	(5,146)	3,074
Cash flows from financing activities	(387)	(3,336)	(2,394)	4,548	(1,607)
Interest-bearing debt, cash, bank balances and securities, net, year-end – net cash/(net debt)[2)]	(2,183)	(3,189)	(4,106)	(6,566)	6,635

1) 2018-2019 have been restated to reflect the reversal of an impairment loss on the Rexulti® product rights in 2017.

2) In 2020-2022, securities amounted to DKK 0 million.

Summary for the Group 2018-2022

Continued

Key figures	2022	2021	2020	2019[1)]	2018[1)]
EBIT margin (%)	15.6	12.3	11.3	18.5	26.7
Research and development ratio (%)	20.6	23.5	25.7	18.3	18.1
Return on equity (%)	9.8	7.5	9.4	13.8	22.2
Equity ratio (%)	55.5	52.7	47.1	44.0	65.8
Invested capital (DKKm)	14,490	21,468	21,079	23,348	10,198
Net debt/EBITDA	0.5	0.9	0.9	1.4	(1.0)
Effective tax rate (%)	22.6	16.6	17.0	23.6	26.5
Purchase of intangible assets, gross (DKKm)	449	202	114	88	1,149
Purchase of property, plant and equipment, gross (DKKm)	371	410	364	356	300
Purchase of financial assets, gross (DKKm)	-	-	17	18	1,524
Average number of employees	5,399	5,488	5,717	5,475	5,060

Share data[2)]	2022	2021	2020	2019[1)]	2018[1)]
Number of shares for the calculation of EPS (millions)[2)]	992.9	993.3	993.7	993.5	993.4
Earnings per share, basic (EPS) (DKK)[2)]	1.93	1.33	1.59	2.33	3.58
Earnings per share, diluted (DEPS) (DKK)[2)]	1.93	1.33	1.59	2.33	3.58
Proposed dividend per share (DKK)[2)]	0.58	0.40	0.50	0.82	2.40
Cash flows from operating activities per share, diluted (DKK)[2)]	3.54	2.29	3.86	2.63	6.02
Net asset value per share, diluted (DKK)[2)]	20.93	18.40	17.08	16.89	16.95
Market capitalization (DKKm)	25,507	33,626	41,582	50,660	56,825
Price/Earnings, diluted (DKK)	25.87	25.47	26.25	21.86	15.97
Price/Cash flow, diluted (DKK)	14.09	14.76	10.82	19.38	9.48
Price/Net asset value, diluted (DKK)	2.39	1.84	2.44	3.01	3.37

1) 2018-2019 have been restated to reflect the reversal of an impairment loss on the Rexulti® product rights in 2017.

2) The calculation of EPS is based on a share denomination of DKK 1 as a result of the share split completed on 8 June 2022. Comparative figures have been restated to reflect the change in trading unit from a nominal value of DKK 5 to DKK 1.

Summary for the Group 2018-2022

Continued

Definitions	
Interest-bearing debt	Debt and financial instruments (including financial leases) carrying interest.
Interest-bearing net cash	Cash, bank balances and securities less interest-bearing debt.
EBIT margin[3]	Profit from operations as a percentage of revenue.
EBITDA	Profit before interest, tax, depreciation, amortization and gain on divestment of properties.
Return on equity[3]	Net profit/(loss) for the year as a percentage of shareholders' equity (average).
Equity ratio[3]	Shareholders' equity, year-end, as a percentage of total assets.
Invested capital	Shareholders' equity, year-end, plus net interest-bearing debt.
Net debt	Interest-bearing debt less cash, bank balances and securities.
Net debt/EBITDA[2]	Net interest-bearing debt divided by EBITDA.
Earnings per share, basic (EPS)[2] [3]	Net profit/(loss) for the year divided by average number of shares, excl. treasury shares.
Earnings per share, diluted (DEPS)[2] [3]	Net profit/(loss) for the year divided by average number of shares, excl. treasury shares, incl. warrants, fully diluted.
Cash flows from operating activities per share, diluted[3]	Cash flows from operating activities divided by average number of shares, excl. treasury shares, incl. warrants, fully diluted.
Net asset value per share, diluted	Shareholder's equity, year-end, divided by number of shares, year-end, excl. treasury shares, incl. warrants, fully diluted.
Market capitalization[3]	Total number of shares, year-end, multiplied by the official price quoted on Nasdaq Copenhagen, year-end.
Price/Earnings, diluted[3]	The official price quoted on Nasdaq Copenhagen, year-end, divided by earnings per share, diluted.
Price/Cash flows, diluted[3]	The official price quoted on Nasdaq Copenhagen, year-end, divided by cash flows from operating activities per share, diluted.
Price/Net asset value, diluted	The official price quoted on Nasdaq Copenhagen, year-end, divided by net asset value per share, diluted.

EBITDA calculation (DKKm)	**2022**	**2021**	**2020**	**2019[1]**	**2018[1]**
EBIT	2,852	2,010	1,990	3,153	4,846
+ Depreciation, amortization and impairment losses	1,811	1,710	2,793	1,670	1,638
- Gain on divestment of properties recognized in other operating expenses, net	-	-	-	-	(48)
EBITDA	**4,663**	**3,720**	**4,783**	**4,823**	**6,436**

1) 2018-2019 have been restated to reflect the reversal of an impairment loss on the Rexulti® product rights in 2017.
2) The calculation of EPS is based on a share denomination of DKK 1 as a result of the share split completed on June 8, 2022. Comparative figures have been restated to reflect the change in trading unit from a nominal value of DKK 5 to DKK 1.
3) Definitions according to the Danish Finance Society's *Recommendations & Financial Ratios*.

Governance

Valerie Barogiannis
Senior Manager, Information Technology

IN THIS SECTION

Corporate Governance

Corporate governance concerns the way Lundbeck is managed and controlled, while creating value for both the company and its stakeholders. More information on the mandatory annual Corporate Governance report is disclosed on www.lundbeck.com* in accordance with section 107(b) in the Danish Financial Statements Act.

The supreme governing body of Lundbeck is the general meeting, where the shareholders of Lundbeck exercises their rights. Some matters are always handled by the general meeting, i.e., adoption and amending of the company's Articles of Association, approval of the annual report, and election of members of the Board of Directors among other things.

Any shareholder has the right to raise questions and suggestions at general meetings. Resolutions can generally be passed by a simple majority. However, resolutions to amend the Articles of Association require two-thirds of the votes cast and capital represented, unless other adoption requirements are imposed by the Danish Companies Act.

Lundbeck has a two-tier board structure consisting of the Board of Directors and the Executive Management. The two bodies are separated, and no person serves as a member of both.

The Board of Directors has eleven members, of which seven are elected at the Annual General Meeting for a one-year term and four are elected by Lundbeck's employees for a four-year term. The current members of the Board of Directors bring deep industry knowledge and solid top management experience to Lundbeck, which are essential for the Board to perform its tasks.**

Lundbeck's Board of Directors is responsible for approving the corporate strategy and its implementation, setting goals for Executive Management, and for ensuring that members of Executive Management and other senior managers have the right qualifications.

The Board of Directors also evaluates management performance and remuneration.

Furthermore, the Board of Directors has the overall responsibility for ensuring that adequate internal and external controls are in place, and for identifying and addressing any relevant risks. These responsibilities are defined in the Danish Companies Act and stipulated in the rules of procedures for the Board of Directors.

The Board of Directors regularly evaluates Lundbeck's strategy, business, performance, financial strategies, and policies, and ensures that day-to-day management is carried out in accordance with such policies.

Following initial analysis and proposal from Executive Management, the Board of Directors assesses Lundbeck's need for capital on an ongoing basis, and regularly reviews Lundbeck's capital structure.

There is no universal answer to the question of what the optimum capital structure is for a specific company because the relationship between equity and interest-bearing debt relies on the specific characteristics that apply within the particular industry in which the business operates and, by extension, the operating and financial risk.

However, companies in the pharmaceutical industry are often particularly well-funded which may be explained by the extended development projects and risks associated with research activities.

Our dividend policy is currently to pay out 30-60 % of the net profits as dividend to the shareholders. The Board of Directors pursues the policy that equity beyond the level which, based on a conservative estimate, would be considered sufficient to support the underlying business should be distributed to the shareholders. The distribution to our shareholders takes place through annual dividends and if appropriate share buyback programs.

The Board of Directors has established a self-evaluation procedure covering, among other things, board composition, contribution and results, Board agenda and discussions, cooperation between the Board of Directors and Executive Management, committee work, and structure.

The 2022 Board evaluation was conducted by an external vendor. This evaluation was an in-depth assessment where the Board of Directors and Executive Management answered a questionnaire and were interviewed individually.

* https://www.lundbeck.com/content/dam/lundbeck-com/masters/global-site/pdf/corporate-governance/2022/corporate_governance_report.pdf
** Detailed description of the Board members and their competencies and qualifications can be found on https://www.lundbeck.com/global/about-us/our-leadership/board-of-directors

Process description and the result showed an increase to an already high level of satisfaction with the collaboration and interaction between the Board of Directors and Executive Management. The collaboration was described as transparent, constructive, effective, and involving.

The survey also included an update of the competencies on the Board of Directors. We saw an increase of competencies and knowledge relevant for the future strategic path of Lundbeck, e.g., scientific knowledge and experience, which is now at an even more satisfactory level.

More details regarding the work performed by the Board of Directors, the evaluation procedure and results hereof can be found at www.lundbeck.com.*

Also, the remuneration of Lundbeck's Executive Management and Board of Directors can be found at www.lundbeck.com.**

DISCLOSURE REGARDING CHANGE OF CONTROL

The E.U. Takeover Bids Directive, as partially implemented in the Danish Financial Statements Act, requires listed companies to disclose information about significant agreements that may be affected in case of a completed takeover bid, in particular in relation to disclosure of change-of-control provisions.

Lundbeck discloses that the Group has a major partnership agreement in place under which an acquiring entity must divest any competing product according to an agreed process and, in the absence of such divesture, Lundbeck's partner may terminate the agreement.

The Lundbeck Group may be met with demands for repayment on its debt portfolio should Lundbeckfond Invest A/S hold less than 50% of the share capital or voting rights in H. Lundbeck A/S (change of control).

In the event Lundbeck is acquired or merges, certain Executive Management members may, depending on the impact on their position, be entitled to terminate employment with Lundbeck with three (3) months' notice and receive a compensation of up to eighteen (18) months' remuneration.

Given the ownership structure of Lundbeck the risks are considered remote. For information about the ownership structure of Lundbeck, see pages 44-45.

Joanna Gluszczak
Finance Specialist

* Detailed description of the Board of Directors' work, evaluation procedure and results can be found on https://www.lundbeck.com/global/about-us/corporate-governance/board-tasks

** Detailed description of the remuneration can be found on https://www.lundbeck.com/global/about-us/corporate-governance/remuneration

Sustainability

Sustainability is an integral part of how we do business at Lundbeck.In our annual Sustainability Report, you can find detailed information on our impacts, risks, strategy, activities during the year, progress on our targets, as well as metric and material sustainability information. Our mandatory annual statutory sustainability reporting in accordance with the Danish Financial Statements Act on 99a, 99b, 99d,107d and the E.U. Sustainable Finance Taxonomy can be found in our Sustainability Report*.

OUR APPROACH TO SUSTAINABILITY

Sustainability is an imperative to Lundbeck and an integral part of our strategy and culture. Lundbeck's sustainability activities aim to mitigate risks and adverse impacts related to our business activities and contribute to solving societal challenges where we can. We remain committed to the UN Global Compact Principles and contribute to addressing seven of the Sustainable Development Goals (SDGs).

OUR MOST MATERIAL SUSTAINABILITY MATTERS

Our most material sustainability issues are reflected in the SDGs that our business model has very significant impact on. Our biggest contribution to sustainable development is our medical treatments and the good health and wellbeing they bring to people. Closely related to this is being compliant in all aspects of product and patient safety as well as taking a strict stance on anti-corruption in our collaborations with business partners, healthcare professionals, and regulators.

Our strategy includes taking a leading role in climate action, environmental management in general, and promoting an ethical, safe, motivating, and inclusive culture in our value chain.

In September, Lundbeck announced that we have signed a credit agreement concerning our existing EUR 1.5 billion revolving credit facility to incorporate sustainability-linked targets.

By integrating environmental and social targets into Lundbeck's finance approach, sustainability benefits our cost of finance and underscores our commitment to our sustainability targets.

Lundbeck will direct realized interest savings towards new sustainability-related initiatives focused on increasing access to brain health between 2022 and 2025.

GOVERNANCE AND MANAGEMENT OF SUSTAINABILITY

Executive Management is the steering group for Lundbeck's sustainability strategy. The CEO has the highest responsibility for the sustainability strategy and presents major decisions to the Board of Directors when relevant.

All Executive Management members have sustainability-related targets included in their roles that they are assessed on by the Renumeration and Nomination Committee.

A dedicated team in "Compliance, Legal, and Sustainability" is responsible for improving, monitoring, and reporting on Environmental, Social, and Governance (ESG) and sustainability performance in close collaboration with relevant functions in the organization.

The approach taken is to integrate and disseminate ownership of sustainability to the relevant line functions.

CSRD READINESS

In June 2022, a Corporate Sustainability Reporting Directive (CSRD) Readiness Working Group under the CFO was established with a core group from Compliance, Legal, and Sustainability and Group Finance.

Simultaneously, the Audit Committee Charter was updated to reflect that the Audit Committee monitors processes related to sustainability reporting and reviews changes in accounting policies to determine the appropriateness of changes in sustainability disclosure practices.

Starting in 2023, we will be updating our sustainability strategy to align with the disclosure and due diligence requirement set out in the E.U. Directives related to corporate sustainability conduct and reporting.

SUSTAINABILITY REVIEW OF 2022

We continuously set ambitious targets, report progress on the targets and disclose a set of externally reviewed non-financial indicators across all areas of corporate sustainability and business ethics compliance.

* https://www.lundbeck.com/content/dam/lundbeck-com/masters/global-site/pdf/Sustainability_Report_2022.pdf

All in all, nine out of the 11 sustainability targets for 2022 were achieved or are on track as shown in the following table.

The recycling target for general waste was not met for temporary reasons. At our site Valbonne, leaflets and cartons were mistakenly sent to incineration instead of recycling. Our site in Valby has undergone renovation of the employee canteen over a period of six months, which has resulted in increased use of disposable packaging and a lack of sorting of food waste at the temporarily established street kitchen.

We have also not met our target for reduction in lost time accident frequency. Based on an analysis of previous year's accidents, we had identified the root causes of accidents and implemented mitigating actions. Our trainings and refinforcement of a safety conscious culture led to a reduction in accidents in both our Valby site and our site in Valbonne. However, there was an increase in accidents at our site in Lumsås due to ergonomics. Therefore, we will be conducting a training in correct lifting and implement a revised action prevention plan in 2023.

Issue	2022 target	SDG impact
ACCESS TO BRAIN HEALTH	✓ Ensure all disease awareness sponsorships measurably support brain health in general, mental health and suicide prevention, or migraine	3 GOOD HEALTH AND WELL-BEING
	✓ Donate treatment for at least 1,000 patients in low- and middle-income countries through product donation partnership	
BUSINESS ETHICS	✓ Annual Code of Conduct training completed by all employees at work globally	16 PEACE, JUSTICE AND STRONG INSTITUTIONS
	✓ Increase the share of employees stating in the annual ESS that they are confident in raising an ethical or compliance concern	
CLIMATE ACTION	◎ Reduce total carbon footprint across own operations, supply, and distribution in line with our Science-Based Target*	13 CLIMATE ACTION
ENVIRONMENTAL MANAGEMENT	✓ Recycle 63% of the organic compounds used in chemical production	12 RESPONSIBLE CONSUMPTION AND PRODUCTION
	✗ Recycle 70% of general waste	
DIVERSITY & INCLUSION	✓ Build an even more inclusive organization with a specific 2022 initiative focusing on cultural awareness across the organization	10 REDUCED INEQUALITIES 5 GENDER EQUALITY
	✓ Increase in share of underrepresented gender at senior management level**	
HEALTH AND SAFETY	✗ Reduce lost time accident frequency ≤ 5	8 DECENT WORK AND ECONOMIC GROWTH
	✓ Not more than four high consequence work related accidents with absence	

✓ Achieved ✗ Not achieved ◎ On track

* We report progress annually on our 15-year targets in Scope 1 & 2 (own produced energy and purchased energy) and Scope 3 (emissions from supply, services, distribution and more)
** EVP, SVP and VP

Business Ethics and Code of Conduct

We pursue our business purpose guided by our Code of Conduct. The Code of Conduct conveys Lundbeck's commitments and the expectations to its employees for areas that are critical to the pharmaceutical industry.

The regulatory landscape Lundbeck operates in is constantly changing. Our business activities and application of technologies also evolve in the pursuit of meeting patient needs and offering efficacious treatment options. These conditions call for a responsive Compliance Program that can help our employees globally to stay in accordance with applicable regulations and attuned with societal expectations.

TONE AT THE TOP SETS OUR PRIORITIES

Our ethics are formed at the top in the Compliance Committee with Executive Management members and key compliance functions, who review and maintain Lundbeck's ethical standards. Each year, the Compliance Committee sets the global priorities for the coming year based on a careful review of our Code of Conduct Risk Register.

The translation of the priorities into operational requirements is driven by our Global Compliance Organization consisting of Headquarter compliance functions and the 17 Regional Compliance Officers who represent our global affiliates. Collectively, they help prevent misconduct, detect compliance issues, and take prompt corrective and preventive action. They support Lundbeck's Senior Management who are held accountable for ethics and compliance within their organization.

DOING THE RIGHT THING EVERY DAY

For the first time since the pandemic, we gathered the members of the Global Compliance Organization in person in Copenhagen for a two-day Compliance Summit. A sense of unity came instantly and drove the sharing of ideas and perspectives in a series of workshops, presentations, and best practices sharing.

One of the outcomes from the Summit was establishing a set of specific metrics that will be used to support and monitor the global implementation of our Compliance Program across our 17 commercial business areas.

Another result was defining the overriding theme and topics for the global Code of Conduct eLearning that is assigned and completed by all employees annually. Under the theme "Doing the right thing" and a set of fictitious cases, our employees practice the application of key principles in the Code of Conduct. All people managers were asked to lead local discussions on what "Doing the right thing" means to their teams.

EMPOWERED, TRUSTED, AND SUPPORTED

The annual compliance training aims to empower our employees to make informed and responsible decisions. This year it also reiterated that Lundbeck's foundation is built on our great people and culture. This was expressed in multiple video statements where colleagues shared their personal and professional perspective on Lundbeck's five beliefs: patient-driven, courageous, ambitious, passionate, and responsible.

These internal voices illustrate the great trust that we have in our colleagues.

The training is supplemented by our audits and monitoring efforts that aim to validate the understanding of the requirements and capture suggestions for improvements of processes and controls. Specific feedback is provided to ensure local management ownership and follow-up.

OPEN DIALOGUE AND ACCESS TO RAISING CONCERNS

We encourage everyone to have ongoing dialogue on compliance and ethics with their colleagues and manager. However, we realize that some questions, dilemmas, or concerns might not be discussed openly.

Our Compliance Hotline* is a secure line that is open for everyone to raise concerns about a potential violation of the Code of Conduct. It is a cornerstone in our Compliance Program that helps protect Lundbeck.

All reports are investigated in line with our global procedure that safeguards individuals who report concerns, participate in investigations, or are suspected of misconduct.

* https://www.lundbeck.com/global/compliance-hotline

Yuichi Mitsui
Medical Representative

Our investigations are guided by principles that manifest Lundbeck's beliefs, including:

- Protection of good-faith reporters against retaliation
- Confidentiality
- Cooperation
- Proportionality
- Communication
- Independence

Lundbeck's Audit Committee provides oversight of Lundbeck's Compliance Program, including the investigation procedures and outcomes. Our Chief Compliance Officer provides briefings on current developments at the Audit Committee meetings, which aims to ensure the Code of Conduct Compliance Program and organization is kept effective, sufficiently positioned, and resourced.

Risk Management

Lundbeck's risk management processes ensure close monitoring, systematic risk assessment, and the ability to identify, manage and report internal and external risks in a changing environment.

RISK MANAGEMENT GOVERNANCE STRUCTURE

Lundbeck is exposed to risks throughout the value chain, from the initial stages of developing innovative pharmaceuticals in our in-house facilities to the proven pharmaceuticals reaching the patients.

Lundbeck's risk management processes are continually updated and adapted to match internal and external requirements, where risks related to trends, global economic developments, geopolitics, and long-term forecasts are assessed as part of Lundbeck's long-term strategic planning. With this understanding of the wider context and an accurate and complete overview of Lundbeck's activities and resources, Executive Management has a clear basis for decision-making on our overall risk exposure and mitigating actions.

The Board of Directors has the overall responsibility for ensuring that Lundbeck has implemented necessary procedures for risk management.

The oversight of compliance within the established enterprise risk management framework is delegated to the Audit Committee.

RISK MANAGEMENT FRAMEWORK

In Lundbeck, enterprise risk management is considered an integral part of doing business, which is reflected in the risk management process.

The process starts in the decentralized teams within each Executive Management area. The teams have detailed and extensive knowledge of the risks within their areas of responsibility. They systematically identify, quantify, respond to and monitor risks. They are ideally placed to mitigate our risk exposure in the first instance.

Each area shares the risks with the central Risk Office when there are material updates, and at least on a semi-annual basis. The central Risk Office provides the risk framework and conducts interviews with management, risk contributors, and risk responsible individuals.

This represents an integral part in the alignment of risks reported to the Risk Office.

In cooperation with each Executive Management area, the Risk Office assesses the likelihood of an event occurring and the potential impact on the Group in terms of financial loss.

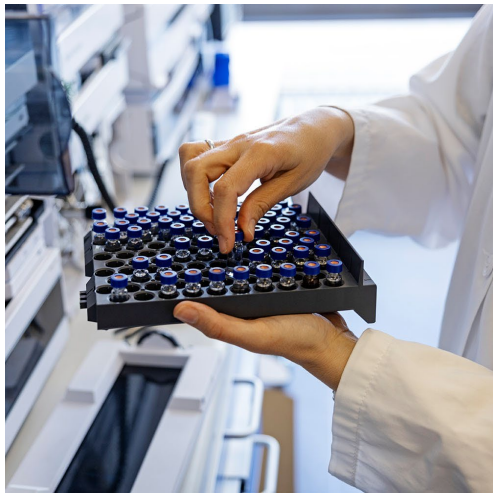
The key risk overview is presented to Executive Management for their assessment and approval before it is reported to the Audit Committee and approved by the Board of Directors.

The corporate risk register kept by the Risk Office provides a consolidated overview of Lundbeck's risk exposure by detailing each risk, risk category, and type. The risk descriptions provide details on the event, its current status, the status of the response, and the likelihood and potential impact.

Our reporting process defines six risk categories:

- Research and Development
- Market, Commercial, and Strategy
- Supply, Quality, and Product Safety
- IT security
- Legal and Compliance
- Financial

Lundbeck has developed a concise process covering day-to-day risk identification, monitoring, mitigation, and reporting within each Executive Management area, all the way to the final reporting to Executive Management. This process enables Executive Management to control Lundbeck's risk appetite when deciding strategy and practice, and when making day-to-day decisions.



Key Risks

RISK AREA	DESCRIPTION	POTENTIAL CONSEQUENCES	MITIGATING ACTIONS
RESEARCH AND DEVELOPMENT	Exposure to delays of regulatory approval or failure in the development of new and innovative medicines. Increased regulatory requirements for clinical trials. Data requirements from production of non-clinical and clinical studies.	Delays or failure of new products could impact patients who cannot benefit from these products and decrease earnings expectations for Lundbeck and its shareholders. Delay in regulatory approval may impact the patient's drug access. Issues with data integrity could lead to delays in studies and production – ultimately leading to withdrawals and failure to gain approval.	Clinical trials are run and evaluated throughout the research and development phase. Ongoing evaluation of the product pipeline, regulatory requirements, and product benefit. Robust quality management system is in place to ensure consistent quality, data integrity, and the compliance of clinical trials and clinical safety activities.
MARKET, COMMERCIAL AND STRATEGY	Price pressure, new legislation, regulation of reimbursement and healthcare reforms in key markets, etc. Market dynamic change derived from COVID-19 or ongoing war between Russia and Ukraine.	Market restrictions could impact patients' access to Lundbeck products. Changes in market conditions and healthcare reforms could affect the pricing landscape as well as rebates and discounts. These changes could decrease earnings for Lundbeck and its shareholders.	Understanding the price development in main markets. Working with healthcare authorities around the world to document the value of our pharmaceuticals. Monitor political developments and requirements.
SUPPLY, QUALITY AND PRODUCT SAFETY	Disruption of production or supply or unpredictable demand and stock-out. Loss of licenses to manufacture or sell pharmaceuticals. Defects in product quality or safety.	Product shortage, not giving patients needed access to the pharmaceuticals they require.	Systems, policies, and procedures are in place to ensure product supply, quality, and safety. Dual sourcing strategy and high level of safety stock of key products. Robust pharmacovigilance system.
IT SECURITY	Cyber attacks and cyber fraud. System down-time.	Disruption or compromise of IT security could affect all parts of Lundbeck's operations and product supply to patients. Data loss.	IT policies and procedures are in place to safeguard systems and data. Cyber defenses are tested on a regular basis. Annual testing of IT disaster recovery plan.
LEGAL AND COMPLIANCE	Loss, expiration or infringement of intellectual property rights. Non-compliance with laws, industry standards, regulations, and our Code of Conduct. Exposure to legal claims or investigations.	Loss, expiration, infringement, or invalidation of intellectual property rights could decrease earnings for Lundbeck and its shareholders. Non-compliance with laws, industry standards, regulations, or our Code of Conduct could affect our 'license to operate', result in litigations or investigations, expose Lundbeck to significant fines, and impact our reputation and earnings for Lundbeck and its shareholders.	Policies and processes are in place to safeguard intellectual property rights. The Code of Conduct Compliance Program and global organization are pivotal in sustaining our compliance culture. The Code of Conduct Compliance Program includes global activities and ensures continuous monitoring of compliance with laws and industry standards and annual training to all employees. Third parties are committed to observe our legal and ethical standards in mutually binding agreements and are subject to monitoring. Global Compliance Hotline and investigation procedure.
FINANCIAL	Fluctuations in exchange rates incl. impact from currency devaluations.	Lundbeck's cash flow and earnings could be impacted in cases of fluctuations in key currencies.	Treasury policy. Monitoring the financial exposure and hedging a significant part of Lundbeck's currency risk up to 18 months in advance.

Board of Directors*

LARS SØREN RASMUSSEN

Chair

- Born 1959
- Elected 2013
- Considered independent

Lundbeck Committees
- Audit Committee (M)
- Remuneration & Nomination Committee (C)

Directorships
- Chair of the Boards of Directors of: Coloplast A/S; Danish Industry (DI) Committee on Diversity; Danish Committee of Corporate Governance; Equalis; Life Science Council under the Danish Ministry of Industry, Business & Financial Affairs; LimaCorporate
- Copenhagen University (M)

Holding of A-shares
20,000

Holding of B-shares
80,000

LENE SKOLE-SØRENSEN

Deputy Chair

- Born 1959
- CEO, Lundbeck Foundation
- Elected 2015
- Considered dependent

Lundbeck Committees
- Remuneration & Nomination Committee (M)
- Scientific Committee (M)

Directorships
- ALK-Abelló A/S (DC)
- Falck A/S (DC)
- Ørsted A/S (DC)
- Nordea Bank Abp (M)

Holding of A-shares
None

Holding of B-shares
61,270

LARS ERIK HOLMQVIST

- Born 1959
- Elected 2015
- Considered dependent

Lundbeck Committees
- Audit Committee (M)

Directorships
- Biovica International AB (C)
- Lundbeck Foundation (M)
- ALK-Abelló A/S (M)
- Vitrolife AB (M)
- Life Healthcare (M)

Holding of A-shares
None

Holding of B-shares
75,000

JEREMY MAX LEVIN

- Born 1953
- CEO, Ovid Therapeutics
- Elected 2017
- Considered independent

Lundbeck Committees
- Scientific Committee (C)

Directorships
- Ovid Therapeutics (C)
- Opthea (C)
- BIO (the Biotechnology Innovation Organization) (M)

Holding of A-shares
None

Holding of B-shares
None

Per 31.12 2022
C = Chair, DC = Deputy Chair, M = Member
* For more information about the Board of Directors and their competencies, please visit https://www.lundbeck.com/global/about-us/our-leadership/board-of-directors

Board of Directors*

JEFFREY BERKOWITZ

- Born 1966
- CEO, Real Endpoints
- Elected 2018
- Considered independent

Lundbeck Committees
- Remuneration & Nomination Committee (M)
- Scientific Committee (M)

Directorships
- PharmaTwoB (C)
- Click Therapeutics (M)
- Esperion Therapeutics, Inc. (M)
- Zealand Pharma A/S (M)
- Uniphar PLC (M)

Holding of A-shares
None

Holding of B-shares
None

ILSE DOROTHEA WENZEL

- Born 1969
- Elected 2021
- Considered independent

Lundbeck Committees
- Audit Committee (C)

Directorships
- Fresenius Medical Care AG & Co. KGaA (M)
- Dentsply Sirona Inc. (M)

Holding of A-shares
None

Holding of B-shares
None

SANTIAGO ARROYO

- Born 1960
- Chief Medical Officer, Fulcrum Therapeutics
- Elected 2021
- Considered independent

Lundbeck Committees
- Scientific Committee (M)

Directorships
None

Holding of A-shares
None

Holding of B-shares
None

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Board of Directors*

CAMILLA GRAM ANDERSSON

- Born 1972
- Director, Corporate Health, Safety & Environment
- Elected by employees in 2022

Directorships
- Industrial Sectorial Board of Occupational Health and Safety (DI) (M)
- Specialized Committee of Chemistry (DI) (M)
- Environment, Health & Safety Expert Group (EFPIA) (M)

Holding of A-shares
202

Holding of B-shares
808

HOSSEIN ARMANDI

- Born 1962
- Research Technician
- Elected by employees in 2022

Directorships
None

Holding of A-shares
None

Holding of B-shares
None

DORTE CLAUSEN

- Born 1984
- Clinical Trial Manager, Specialist, Psychiatry
- Elected by employees in 2022

Directorships
- Pharmadanmark (M)
- Training & Conference Center Pharmakon (M)

Holding of A-shares
220

Holding of B-shares
880

LASSE SKIBSBYE

- Born 1983
- Principle Scientist
- Elected by employees in 2022

Directorships
- Safety Pharmacology Society (M)

Holding of A-shares
None

Holding of B-shares
None

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Executive Management*

DEBORAH DUNSIRE
President and CEO

- Born 1962
- Joined Lundbeck in 2018

Directorships
- Syros Pharmaceuticals (M)
- Ultragenyx Pharmaceutical Inc. (M)

Holding of A-shares
11,124

Holding of B-shares
44,496

LARS BANG
Executive Vice President,
Product Development & Supply

- Born 1962
- Joined Lundbeck in 1988

Directorships
None

Holding of A-shares
61,974

Holding of B-shares
247,896

ELISE HAUGE **
Executive Vice President,
People & Communication

- Born 1967
- Joined Lundbeck in 2019

Directorships
- CBS Executive Fonden (M)

Holding of A-shares
1,225

Holding of B-shares
4,900

JOERG HORNSTEIN
CFO & Executive Vice President,
Corporate Functions

- Born 1977
- Joined Lundbeck in 2022

Directorships
None

Holding of A-shares
None

Holding of B-shares
None

Per 31.12 2022
C = Chair, DC = Deputy Chair, M = Member
* For more information about Executive Management and their competencies, please visit https://www.lundbeck.com/global/about-us/our-leadership/executive-management
** Elise Hauge (Executive Vice President, People & Communication) and Keld Flintholm Jørgensen (Executive Vice President, Corporate Strategy & Business Development) participate in the Executive Management in their respective roles but are not members of the Executive Management as registered with the Danish Business Authority

Executive Management*

KELD FLINTHOLM JØRGENSEN **
Executive Vice President,
Corporate Strategy & Business Development

- Born 1971
- Joined Lundbeck in 2019

Directorships
- Scandion Oncology (M)

Holding of A-shares
7,570

Holding of B-shares
30,280

PER JOHAN LUTHMAN
Executive Vice President,
Research & Development

- Born 1959
- Joined Lundbeck in 2019

Directorships
- Brain+ (M)

Holding of A-shares
12,574

Holding of B-shares
50,296

JACOB TOLSTRUP
Executive Vice President,
Commercial Operations

- Born 1972
- Joined Lundbeck in 1999

Directorships
- Pharmacosmos A/S (C)

Holding of A-shares
569

Holding of B-shares
2,276

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** Elise Hauge (Executive Vice President, People & Communication) and Keld Flintholm Jørgensen (Executive Vice President, Corporate Strategy & Business Development) participate in the Executive Management in their respective roles but are not members of the Executive Management as registered with the Danish Business Authority

The Lundbeck Share

2022 was an eventful year for Lundbeck with solid financial results and positive news from the R&D pipeline. The Russian war in Ukraine has also had material impact on global financial markets.

The Lundbeck share price began the year at DKK 168.85 (closing price end 2021) which adjusted for the share split in June 2022 equals DKK 33.77. The share price (B-share) reached a year high of DKK 37.86 (July 5), recorded a year low of DKK 24.24 (October 5) and ended the year at DKK 26.05. This is a decrease of 23% for the year. In comparison, the Danish OMXC25 index declined by 14%, while the MSCI European Pharmaceutical Index declined by 1%.

STOCK SPLIT

Lundbeck announced that the extraordinary general meeting of Lundbeck held on June 8, 2022, had adopted the proposed share split of Lundbeck's existing shares.

The approval meant that each existing Lundbeck-share with a nominal value of DKK 5 was split into one (1) A-share with a nominal value of DKK 1 and four (4) B-shares each with a nominal value of DKK 1. Each A-share carries ten (10) votes, and each B-share carries one (1) vote.

Both the A-shares and the B-shares are traded and listed on Nasdaq Copenhagen. The A-shares are issued in the new ISIN DK0061804697 and are admitted to trading under the Nasdaq symbol "HLUN A". The B-shares are issued in the new ISIN DK0061804770 and are admitted to trading under the Nasdaq symbol "HLUN B".

In consideration of the split of Lundbeck's shares into an A-share and a B-share following the EGM, Lundbeck's American Depositary Receipt (ADR) program was terminated following the required notice period.

TURNOVER

Following the stock split 2022 with two new shares there are no available comparison data on turnover and the available data only covers the July-December period. Total trading in Lundbeck shares for the available period amounted to DKK 5.3 billion in 2022, while the average daily turnover was DKK 36.5 million.

SHARE CAPITAL

Lundbeck shares are listed on the Copenhagen Stock Exchange, Nasdaq Copenhagen. The shares are negotiable and there are no restrictions on their transferability. At the end of 2022, Lundbeck's total share capital amounted to DKK 996 million, which is equivalent to 996 million shares.

COMPOSITION OF SHAREHOLDERS

According to the Lundbeck share register, the company had approximately 54,000 shareholders at the end of 2022, representing approximately 99% of the outstanding shares.

The Lundbeck Foundation (Lundbeckfond Invest A/S) is the company's largest shareholder and holds approximately 80% of the A-shares and approximately 66% of the B-shares. The total share capital held by the Foundation is approximately 69% and the total voting rights held by the Foundation in Lundbeck is approximately 76%.

The Lundbeck Foundation is the only shareholder to report a holding in excess of 5% of the share capital.

At the end of 2022, investors in North America held 24% of the free float compared to 28% in 2021; European (excl. Danish) investors held 32% compared to 27% in 2021; Danish investors held 13% compared to 17% in 2021; rest of the world held 1%, compared to 2% in 2021, and other investors, incl. private, held 30% compared to 27% in 2021.

LUNDBECK'S TOTAL NUMBER OF VOTING RIGHTS AND TOTAL SHARE CAPITAL

	Number of shares (nominal value of DKK 1 each)	Nominal value (DKK)	Number of votes
A-shares	199,148,222	199,148,222	1,991,482,220
B-shares	796,592,888	796,592,888	796,592,888
Total	995,741,110	995,741,110	2,788,075,108

Financial calendar 2023

21 March 2023	Annual General Meeting 2023
24 March 2023	Dividends for 2022 at the disposal of shareholders
10 May 2023	Financial statements for the first three months of 2023
16 August 2023	Financial statements for the first six months of 2023
8 November 2023	Financial statements for the first nine months of 2023

In order to fund our long-term share-based incentive programs, Lundbeck has 2,901,400 shares held as treasury shares at the end of 2022. The holding is split in 580,280 A-shares and 2,321,120 B-shares.

At the end of 2022, Lundbeck's Board of Directors and Executive Management held a total of 127,712 Lundbeck A-shares and a total of 585,848 B-shares compared to 156,384 Lundbeck shares at the end of 2021 and therefore before the share split. The total number of shares in 2022 corresponds to 0.06% of the total A-shares outstanding and 0.07% of the total B-shares outstanding.

LUNDBECK AND THE EQUITY MARKET

Through the Investor Relations (IR) function, Lundbeck aspires to provide a fair and accurate view of its activities by providing ongoing communications with prospective and existing shareholders and equity analysts. Through regular meetings and dialogue, we convey relevant information about our vision and goals, business areas and financial development.

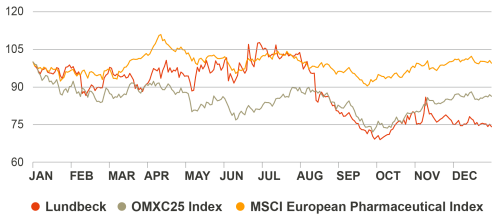
In 2022, Lundbeck's Investor Relations team held more than 250 meetings, most of them based on digital platforms such as Teams and Zoom.

Lundbeck has also participated/presented at 12 investor conferences, again most of which were virtual.

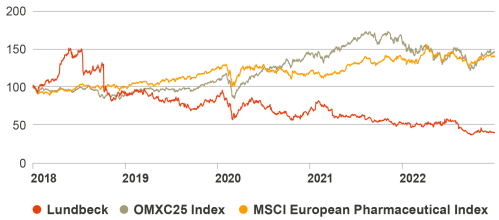
Lundbeck is currently covered by 17 sell-side analysts, incl. the major global investment banks that regularly produce research reports on Lundbeck. A list of analysts covering Lundbeck is available on www.lundbeck.com.*

After the announcement of our interim and full-year reports, members of Lundbeck's Executive Management and Investor Relations team conduct roadshows to inform investors and analysts about the company's latest developments. Our investor presentations are available for download on www.lundbeck.com.**

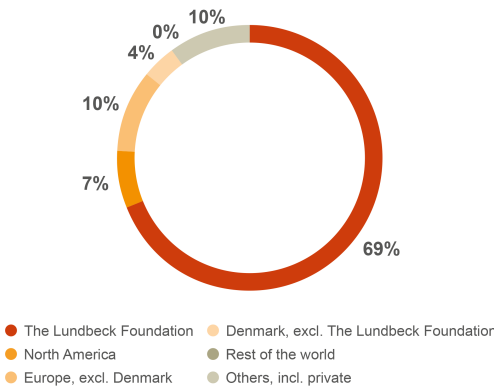
STOCK PERFORMANCE 2022



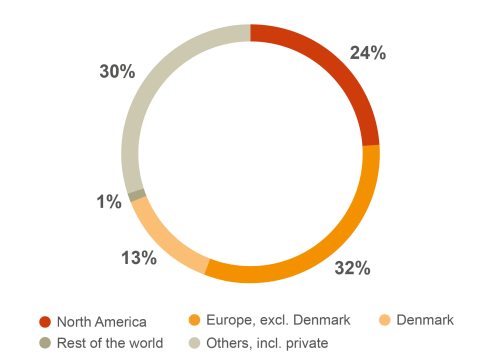
STOCK PERFORMANCE 2018-2022



COMPOSITION OF OWNERSHIP, END 2022



COMPOSITION OF FREE FLOAT, END 2022



* https://www.lundbeck.com/global/investors/the-share/analyst-coverage
** https://www.lundbeck.com/global/investors/reports-and-presentations

Share Ratios*

	2022	2021	2020	2019	2018
Earnings per share, basic (EPS) (DKK)	1.93	1.33	1.59	2.33	3.58
Earnings per share, diluted (DEPS) (DKK)	1.93	1.33	1.59	2.33	3.58
Cash flow from operating activities per share, diluted (DKK)	3.54	2.29	3.86	2.63	6.02
Proposed dividend per share (DKK)	0.58	0.40	0.50	0.82	2.40
Dividend payout ratio (%)	30	30	31	35	67
Dividend yield (%)	2.2	1.2	1.2	1.6	4.2
Share price (B-shares), year-end (DKK)	26.05	-	-	-	-
Share price (B-shares), high (DKK)	37.86	-	-	-	-
Share price (B-shares), low (DKK)	24.24				
Share price (old share structure), year-end (DKK)	-	168.85	208.80	254.4	285.4
Share price (old share structure), high (DKK)	-	258.10	302.4	306.9	475.9
Share price (old share structure), low (DKK)	-	152.45	178.15	217.2	257.0
Price/Earnings, diluted (DKK)	25.87	25.47	26.25	21.86	15.97
Market capitalization (DKKm)	25,507	33,626	41,582	50,660	56,825

* Relevant figures for 2018-2022 are adjusted for the stock split, which took place in June 2022

Share Facts

Number of A-shares, year-end	199,148,222
Number of B-shares, year-end	796,592,888
Total	995,741,110
Share capital, year-end (DKK)	995,741,110
Nominal value per share (DKK)	1
Number of treasury A-shares	580,280
Number of treasury B-shares	2,321,120
Total number of treasury shares	2,901,400 (0.29%)
Free float (%)	31
IPO	18 June 1999
Stock exchange	Nasdaq Copenhagen
ISIN code	DK0061804697 (A), DK0061804770 (B)
Ticker	HLUNa / HLUNb (Reuters), HLUNA DC / HLUNB DC (Bloomberg)

Financial Statements

Michal Piatek
BA Financial Controller, Accounting to Reporting
Katarzyna Owczarska
Finance Associate, Accounting to Reporting

IN THIS SECTION

Consolidated Financial Statements

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NOTES

Statement of profit or loss

1 January – 31 December

	Notes	2022 DKKm	2021 DKKm
Revenue	2	18,246	16,299
Cost of sales	3	3,951	3,648
Gross profit		**14,295**	**12,651**
Sales and distribution costs	3	6,610	5,885
Administrative expenses	3	1,079	933
Research and development costs	3	3,754	3,823
Profit from operations (EBIT)		**2,852**	**2,010**
Financial income	4	124	14
Financial expenses	4	502	443
Profit before tax		**2,474**	**1,581**
Tax on profit for the year	5	558	263
Profit for the year		**1,916**	**1,318**
Earnings per share, basic (EPS) (DKK)[1)]	12	1.93	1.33
Earnings per share, diluted (DEPS) (DKK)[1)]	12	1.93	1.33

1) The calculation of EPS is based on a share denomination of DKK 1 as a result of the share split completed on 8 June 2022. Comparative figures have been restated to reflect the change in trading unit from a nominal value of DKK 5 to DKK 1.

Statement of comprehensive income

1 January – 31 December

	Notes	2022 DKKm	2021 DKKm
Profit for the year		**1,916**	**1,318**
Actuarial gains/losses	13	134	(1)
Tax	12	(19)	-
Items that will not be reclassified subsequently to profit or loss		**115**	**(1)**
Exchange rate gains/losses on investments in foreign subsidiaries		670	960
Exchange rate gains/losses on additions to net investments in foreign subsidiaries		25	(157)
Hedging of net investments in foreign subsidiaries	19	(163)	(127)
Deferred gains/losses on cash flow hedge, exchange rate	19	(347)	(340)
Deferred gains/losses on cash flow hedge, interest rate	19	39	63
Deferred gains/losses on cash flow hedge, price	19	128	-
Exchange gains/losses, hedging (transferred to revenue)	19	588	(53)
Tax	12	(58)	137
Items that may be reclassified subsequently to profit or loss		**882**	**483**
Other comprehensive income		**997**	**482**
Total comprehensive income		**2,913**	**1,800**

Statement of financial position – assets

At 31 December

	Notes	2022 DKKm	2021 DKKm
Intangible assets	6	**22,500**	**22,750**
Property, plant and equipment	7	**2,515**	**2,423**
Right-of-use assets	8	**427**	**484**
Other financial assets		173	57
Other receivables		195	134
Deferred tax assets	5	230	193
Financial and other assets		**598**	**384**
Non-current assets		**26,040**	**26,041**
Inventories	9	**4,046**	**3,031**
Trade receivables	10	2,709	2,459
Income taxes receivable		98	183
Other receivables		756	289
Prepayments		255	371
Receivables		**3,818**	**3,302**
Cash and bank balances	11	**3,548**	**2,279**
Current assets		**11,412**	**8,612**
Assets		**37,452**	**34,653**

Statement of financial position – equity and liabilities

At 31 December

	Notes	2022 DKKm	2021 DKKm
Share capital	12	996	996
Foreign currency translation reserve		1,438	874
Hedging reserve	19	156	(162)
Retained earnings		18,189	16,571
Equity		**20,779**	**18,279**
Retirement benefit obligations	13	213	288
Deferred tax liabilities	5	2,152	1,448
Provisions	15	190	92
Bank debt and bond debt	17	5,096	4,783
Lease liabilities	8	395	453
Other payables	18	428	492
Non-current liabilities		**8,474**	**7,556**
Retirement benefit obligations	13	1	1
Provisions	15	1,132	1,405
Trade payables		4,251	3,914
Lease liabilities	8	88	86
Income taxes payable		535	519
Other payables	18	2,192	2,893
Current liabilities		**8,199**	**8,818**
Liabilities		**16,673**	**16,374**
Equity and liabilities		**37,452**	**34,653**

Statement of changes in equity

At 31 December

	Notes	Share capital DKKm	Foreign currency translation reserve DKKm	Hedging reserve DKKm	Retained earnings DKKm	Total equity DKKm
2022						
Equity at 1 January		**996**	**874**	**(162)**	**16,571**	**18,279**
Profit for the year		-	-	-	1,916	1,916
Other comprehensive income	12	-	564	318	115	997
Comprehensive income		**-**	**564**	**318**	**2,031**	**2,913**
Distributed dividends, gross	12	-	-	-	(398)	(398)
Dividends received, treasury shares	12	-	-	-	1	1
Buyback of treasury shares	12	-	-	-	(45)	(45)
Incentive programs	14	-	-	-	29	29
Other transactions		**-**	**-**	**-**	**(413)**	**(413)**
Equity at 31 December		**996**	**1,438**	**156**	**18,189**	**20,779**
2021						
Equity at 1 January		**996**	**134**	**95**	**15,748**	**16,973**
Profit for the year		-	-	-	1,318	1,318
Other comprehensive income	12	-	740	(257)	(1)	482
Comprehensive income		**-**	**740**	**(257)**	**1,317**	**1,800**
Distributed dividends, gross		-	-	-	(498)	(498)
Dividends received, treasury shares		-	-	-	1	1
Buyback of treasury shares	12	-	-	-	(34)	(34)
Incentive programs	14	-	-	-	37	37
Other transactions		**-**	**-**	**-**	**(494)**	**(494)**
Equity at 31 December		**996**	**874**	**(162)**	**16,571**	**18,279**

Statement of cash flows

At 31 December

	Notes	2022 DKKm	2021 DKKm
Profit from operations (EBIT)		**2,852**	**2,010**
Adjustment for non-cash items:			
Amortization, depreciation and impairment losses		1,811	1,710
Incentive programs		30	37
Change in provisions		(244)	(447)
Other adjustments		18	(152)
Change in working capital:			
Change in inventories		(979)	(828)
Change in receivables		(504)	796
Change in short-term debt		1,078	(273)
Cash flows from operations before financial receipts and payments		**4,062**	**2,853**
Financial receipts		29	68
Financial payments		(643)	(200)
Cash flows from ordinary activities		**3,448**	**2,721**
Income taxes paid		71	(449)
Cash flows from operating activities		**3,519**	**2,272**
Contingent consideration payment from acquisition of company		(1,076)	-
Purchase of intangible assets	6	(449)	(202)
Purchase of property, plant and equipment	7	(371)	(410)
Sale of property, plant and equipment		4	2
Cash flows from investing activities		**(1,892)**	**(610)**
Cash flows from operating and investing activities (free cash flow)		**1,627**	**1,662**

	Notes	2022 DKKm	2021 DKKm
Proceeds from loans and issue of bonds	17	1,234	400
Repayment of bank loans and borrowings	17	(1,086)	(3,123)
Repayment of lease liabilities	8	(93)	(82)
Buyback of treasury shares	12	(45)	(34)
Dividends paid in the financial year, net	12	(397)	(497)
Cash flows from financing activities		**(387)**	**(3,336)**
Net cash flows for the year		**1,240**	**(1,674)**
Cash and bank balances at 1 January		2,279	3,924
Unrealized exchange gains/losses on cash and bank balances		29	29
Net cash flows for the year		1,240	(1,674)
Cash and bank balances at 31 December		**3,548**	**2,279**
Interest-bearing debt, cash and bank balances, net, is composed as follows:			
Cash and bank balances	11	3,548	2,279
Interest bearing debt		(5,731)	(5,468)
Interest-bearing debt, cash and bank balances, net, at 31 December – net cash/(net debt)		**(2,183)**	**(3,189)**

Note 1

1 BASIS OF PREPARATION

1.1 Reporting entity

H. Lundbeck A/S (herein denominated the "Parent Company" or "Company") is domiciled in Denmark. The Company's registered office is at Ottiliavej 9, 2500 Valby. These consolidated financial statements comprise the Parent Company and its subsidiaries (together referred to as the "Group" or "Lundbeck"). The Group is engaged in research, development, production and sale of pharmaceuticals for the treatment of psychiatric and neurological disorders. See note 2 *Revenue and segment information*.

1.2 Basis of accounting

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and further requirements in the Danish Financial Statements Act. The consolidated financial statements were approved by the Board of Directors and authorized for issue on 8 February 2023.

The statement of financial position is also referred to as "balance sheet".

Details of the Group's accounting policies are included in note 25 *Significant accounting policies* and in note 1.7 *Changes in significant accounting policies*.

1.3 Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency").

The consolidated financial statements are presented in Danish kroner (DKK), which is also the functional currency of the Parent Company. All amounts have been rounded to the nearest DKK million, unless otherwise indicated.

1.4 Principal accounting policies

The consolidated financial statements have been prepared to give a true and fair view of the Group's financial position at 31 December 2022 and financial performance for the year. The significant accounting policies are described in note 25 *Significant accounting policies*. Management believes that the accounting policies listed in note 1.5 *Use of judgments and estimates* are principal to the financial statements.

1.5 Use of judgments and estimates

In preparing the consolidated financial statements, Management has made estimates and judgments that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions of estimates are recognized prospectively.

Management believes that the following accounting estimates, assumptions and judgments are significant to the consolidated financial statements.

Principal accounting policies	Key accounting estimates, assumptions and judgments	Notes
Provision for discounts and rebates	Estimate of discounts and rebates in the U.S.	2, 15
Income taxes and deferred income taxes	Judgment and estimate of deferred tax assets and liabilities and provision for uncertain tax positions	5
Impairment of product rights	Estimate of the value-in-use methodology for impairment of product rights	6
Provisions for legal disputes, contingent assets and liabilities	Estimate of ongoing legal disputes, litigations and investigations	15, 16
Other payables - contingent consideration	Assumptions and estimates used in the calculation of the fair value related to contingent consideration from the businesses acquired in 2019	18

1.6 Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The fair values of quoted investments are based on current bid prices at the end of the reporting period. Financial assets for which no active market exists are carried at fair value based on a valuation methodology.

The fair value of derivative financial instruments is measured on the basis of quoted market prices of financial instruments traded in active markets. If an active market exists, the fair value is based on the most recently observed market price at the end of the reporting period. If a financial instrument is quoted in a market that is not active, the Group bases its valuation on the most recent transaction price.

If an active market does not exist, the fair value of standard and simple financial instruments, such as foreign exchange forward contracts, interest rate swaps, currency swaps and unlisted bonds, is measured according to generally accepted valuation techniques. Market-based parameters are used to measure the fair value.

Note 1

1 BASIS OF PREPARATION - CONTINUED

When measuring the fair value of an asset or a liability, the Group uses observable market data to the extent possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

Level 1:	Quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2:	Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
Level 3:	Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

1.7 Changes in significant accounting policies

New and amended standards adopted by the group

Effective 1 January 2022, a number of amendments to the accounting standards were implemented.

None of the amendments have a material impact on the accounting policies and/or on the consolidated financial statements. Consequently, no changes to the accounting policies or retrospective adjustments have been made as a result of adopting these standards and/or amendments.

1.8 New standards and amendments issued but not yet effective

A number of new standards and amendments are effective for annual periods beginning after 1 January 2022 though not mandatory for annual reporting periods ending on 31 December 2022. Earlier application is permitted; however, the new or amended standards have not been early adopted by the Group.

The amended standards are as follows:

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1 *Presentation of Financial Statements*)
- Disclosure of Accounting Policies (Amendments to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statements 2)
- Definition of Accounting Estimate (Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*)
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 *Income Taxes*)

The Group expects to adopt the new standards, improvements, amendments and interpretations when they become mandatory.

None of the amended standards are expected to have significant impact on the accounting policies and/or on the consolidated financial statements.

1.9 European Single Electronic Format (ESEF)

The Annual Report is prepared in XHTML format, and the consolidated financial statements are tagged using inline eXtensible Business Reporting Language (iXBRL). The iXBRL tags comply with the ESEF taxonomy, which is included in the ESEF Regulation and developed based on the IFRS taxonomy published by the IFRS Foundation. Where a financial statement line item is not defined in the ESEF taxonomy, an extension to the taxonomy has been created. Extensions are anchored to elements in the ESEF taxonomy, except for extensions which are subtotals.

The Annual Report submitted to the Danish Financial Supervisory Authority consists of the XHTML document together with certain technical files, all included in a ZIP file named HLUNDBECK-2022-12-31-en.zip.

Note 2

2 REVENUE AND SEGMENT INFORMATION

The Group is engaged in research, development, production and sale of pharmaceuticals for the treatment of psychiatric and neurological disorders, which is the Group's single business (operating) segment. The business segment reflects the way in which Management makes decisions and assesses the business performance.

The Group is organized in geographical regions. The tables below show the Group's revenue from external customers broken down by key products and geographical regions.

2022	Europe DKKm	United States DKKm	International Markets DKKm	Group DKKm
Abilify Maintena®	1,382	1,047	535	2,964
Brintellix®/Trintellix®	1,311	1,650	1,316	4,277
Cipralex®/Lexapro®	662	-	1,698	2,360
Onfi®	-	426	-	426
Rexulti®/Rxulti®	41	3,645	204	3,890
Sabril®	-	636	-	636
Vyepti®	11	982	11	1,004
Other pharmaceuticals	845	716	1,439	3,000
Revenue by product	**4,252**	**9,102**	**5,203**	**18,557**
Other revenue				277
Effects from hedging				(588)
Total revenue				**18,246**
Of this amount:				
Royalty				881
Down payments and milestone received				2

The Group's geographical structure was changed effective 1 January 2022. Following the change, the geographical split of revenue has been subject to modifications. With the new geographical structure, Canada was moved from North America to International Markets and smaller entities were moved between International Markets and Europe. The North America region was renamed United States to better reflect its new composition. Comparative figures for 2021 have been adjusted following the new geographical structure.

In February 2021, Northera® lost exclusivity and is, consequently, reported together with Other pharmaceuticals as of 1 January 2022. Comparative figures for 2021 have been adjusted accordingly.

2021	Europe DKKm	United States DKKm	International Markets DKKm	Group DKKm
Abilify Maintena®	1,181	812	427	2,420
Brintellix®/Trintellix®	1,078	1,435	1,013	3,526
Cipralex®/Lexapro®	684	-	1,662	2,346
Onfi®	-	505	-	505
Rexulti®/Rxulti®	26	2,675	148	2,849
Sabril®	-	657	-	657
Vyepti®	-	489	3	492
Other pharmaceuticals	852	908	1,344	3,104
Revenue by product	**3,821**	**7,481**	**4,597**	**15,899**
Other revenue				347
Effects from hedging				53
Total revenue				**16,299**
Of this amount:				
Royalty				775
Down payments and milestone received				13

In 2022, Denmark generated revenue from external customers in the amount of 12,159 million (DKK 11,076 million in 2021) of which DKK 15 million (DKK 12 million in 2021) is generated from customers in the country of domicile. The U.S generated revenue from external customers located in the U.S. in the amount of DKK 3,629 million (DKK 3,027 million in 2021).

The U.S. and Denmark are the only countries where sales contribute 10% or more of total revenue.

In 2022 and 2021, no single customer contributed 10% or more of total revenue.

Intangible assets and property, plant and equipment by geographic region	2022 DKKm	2021 DKKm
Denmark	10,782	11,070
United States	13,108	13,021
Other countries	1,552	1,566
Total	**25,442**	**25,657**

Note 3

3 EMPLOYEE COSTS

Breakdown of employee costs	2022 DKKm	2021 DKKm
Short-term employee benefits	4,170	3,996
Retirement benefits	265	256
Social security costs	348	332
Equity- and cash-settled incentive programs	32	41
Severance and other costs from restructuring activities	-	100
Total	**4,815**	**4,725**

For details on payments related to share-based incentive programs, see note *14 Incentive programs*. For details on provisions for severance and other costs from restructuring activities, see note *15 Provisions.*

Employee costs for the year are included in the following functions in the statement of profit or loss:

Employee costs	2022 DKKm	2021 DKKm
Cost of sales	758	720
Sales and distribution costs	2,445	2,477
Administrative expenses	603	588
Research and development costs	1,009	940
Total	**4,815**	**4,725**

Information on employees

	2022 Number	2021 Number
Average number of full-time employees in the financial year	**5,399**	**5,488**
Number of full-time employees at 31 December		
In Denmark	1,790	1,751
In other countries	3,660	3,597
Total	**5,450**	**5,348**

Remuneration of registered Executive Management and key management personnel

	Registered Executive Management		Key management personnel	
	2022 DKKm	2021 DKKm	2022 DKKm	2021 DKKm
Short-term staff benefits	39	76	129	180
Retirement benefits	4	5	14	15
Other social security costs	-	-	1	1
Equity- and cash-settled incentive programs	10	11	21	23
Total	**53**	**91**	**165**	**218**

Key management personnel are defined as Registered Executive Management and persons who report directly to the Registered Executive Management.

Remuneration of the Board of Directors

The total remuneration of the Board of Directors for 2022 amounted to DKK 9.0 million (DKK 8.5 million in 2021). The amount includes fees for participation in the Audit Committee of DKK 0.7 million (DKK 0.7 million in 2021), the Remuneration Committee of DKK 0.7 million (DKK 0.7 million in 2021), the Scientific Committee of DKK 0.9 million (DKK 0.9 million in 2021) and travel allowances of DKK 1.2 million (DKK 1.1 million in 2021) for board members with permanent residence outside of Europe. The remuneration for 2022 is consistent with the remuneration presented at the Annual General Meeting held on 23 March 2022.

The members of the Board of Directors held a total of 238,380 Lundbeck shares at 31 December 2022 (219,040 shares at 31 December 2021).

The total remuneration of the chair of the Board of Directors amounted to DKK 1.7 million (DKK 1.7 million in 2021). The total remuneration of the deputy chair of the Board of Directors amounted to DKK 1.2 million (DKK 1.2 million in 2021). These amounts include fees for participation in Board committees.

Notes 4-5

4 FINANCIAL INCOME AND EXPENSES

	2022 DKKm	2021 DKKm
Interest income from financial assets measured at amortized costs	22	7
Gain on other financial assets, measured at fair value through profit or loss	31	7
Fair value adjustment of contingent consideration	71	-
Financial income	**124**	**14**
Interest expenses from financial liabilities measured at amortized costs	96	146
Interest expenses relating to lease liabilities	7	7
Loss on other financial assets, measured at fair value through profit or loss	7	65
Fair value adjustment of contingent consideration	300	133
Exchange losses (net)	30	31
Other financial expenses	62	61
Financial expenses	**502**	**443**
Net financials, expenses	**378**	**429**

Of the fair value adjustment of contingent consideration in financial expenses, DKK 278 million relates to the increase of the probability of success of milestone payments from 83.2% to 100% which occurred in the first quarter of 2022 following EMA approval. For details, see note 18 *Other payables*.

5 INCOME TAXES

Tax on profit for the year

	2022 DKKm	2021 DKKm
Current tax	356	342
Prior-year adjustments, current tax[1)]	(311)	(51)
Prior-year adjustments, deferred tax[1)]	307	36
Change in deferred tax for the year	278	(200)
Change in deferred tax as a result of changed income tax rates	5	(1)
Total tax for the year	**635**	**126**
Tax for the year is composed of:		
Tax on profit for the year	558	263
Tax on other comprehensive income	77	(137)
Total tax for the year	**635**	**126**

1) Movements from prior year adjustments, deferred tax to prior year adjustments, current tax, primarily relate to the utilization of tax losses from prior years by jointly taxed companies not controlled by Parent Company

For a specification of tax on comprehensive income, see note 12 *Equity*.

Uncertain tax positions

The Group operates in a multinational tax environment. Complying with tax rules can be complex as the interpretation of legislation and case law may not always be clear or may change over time. In addition, transfer pricing disputes with tax authorities may occur. Management's judgments are applied to assess the possible effect of exposures and the possible outcome of disputes or interpretational uncertainties.

In 2022, uncertain tax positions comprise of a liability of DKK 535 million and an asset of DKK 57 million (a liability of DKK 497 million and an asset of DKK 66 million in 2021). Management believes that the provision is adequate. However, the actual obligation may differ from the provision made and depends on the outcome of litigations and settlements with the relevant tax authorities.

Note 5

5 INCOME TAXES – CONTINUED

Explanation of the Group's effective tax rate

	DKKm	%
2022		
Profit before tax	**2,474**	
Calculated tax, 22%	544	22.0
Tax effect of:		
Differences in the income tax rates of foreign subsidiaries from the Danish corporate income tax rate	47	1.9
Non-deductible expenses/non-taxable income and other permanent differences	107	4.3
Research and development incentives	(82)	(3.3)
Foreign-derived intangible income benefit	(33)	(1.3)
Change in valuation of net tax assets	(26)	(1.0)
Change in deferred tax as a result of changed income tax rates	5	0.2
Prior-year tax adjustments etc., total effect on operations	(4)	(0.2)
Effective tax/tax rate for the year	**558**	**22.6**

	DKKm	%
2021		
Profit before tax	**1,581**	
Calculated tax, 22%	348	22.0
Tax effect of:		
Differences in the income tax rates of foreign subsidiaries from the Danish corporate income tax rate	33	2.1
Non-deductible expenses/non-taxable income and other permanent differences	72	4.6
Research and development incentives	(76)	(4.8)
Foreign-derived intangible income benefit	(32)	(2.0)
Non-deductible amortization of product rights	16	1.0
Change in valuation of net tax assets	(82)	(5.2)
Change in deferred tax as a result of changed income tax rates	(1)	(0.1)
Prior-year tax adjustments etc., total effect on operations	(15)	(1.0)
Effective tax/tax rate for the year	**263**	**16.6**

Note 5

5 INCOME TAXES – CONTINUED

Deferred tax balances

Temporary differences between assets and liabilities as stated in the consolidated financial statements and in the tax base	Balance at 1 January DKKm	Effect of foreign exchange differences DKKm	Adjustment of deferred tax at beginning of year DKKm	Additions through acquisitions DKKm	Movements during the year DKKm	Balance at 31 December DKKm
2022						
Intangible assets	12,999	495	2	-	406	13,902
Property, plant and equipment	780	7	(5)	-	(103)	679
Inventories	(131)	(2)	3	-	60	(70)
Provisions	(1,606)	(45)	(141)	-	20	(1,772)
Other items[1)]	(634)	(6)	33	-	205	(402)
Tax loss carryforwards etc.	(5,838)	(109)	1,482	-	922	(3,543)
Total temporary differences	**5,570**	**340**	**1,374**	**-**	**1,510**	**8,794**
Deferred (tax assets)/tax liabilities	1,342	86	307	-	324	2,059
Research and development incentives	(87)	(9)	-	-	(41)	(137)
Deferred (tax assets)/tax liabilities	**1,255**	**77**	**307**	**-**	**283**	**1,922**
2021						
Intangible assets	12,836	744	71	-	(652)	12,999
Property, plant and equipment	728	8	(78)	-	122	780
Inventories	(75)	(2)	-	-	(54)	(131)
Provisions	(1,411)	(75)	20	(273)	133	(1,606)
Other items[1)]	(545)	(22)	(47)	39	(59)	(634)
Tax loss carryforwards etc.	(5,828)	(190)	211	-	(31)	(5,838)
Total temporary differences	**5,705**	**463**	**177**	**(234)**	**(541)**	**5,570**
Deferred (tax assets)/tax liabilities	1,385	88	36	(49)	(118)	1,342
Research and development incentives	(4)	-	-	-	(83)	(87)
Deferred (tax assets)/tax liabilities	**1,381**	**88**	**36**	**(49)**	**(201)**	**1,255**

1) Movements during the year include DKK 28 million (DKK 0 million in 2021) recognized in other comprehensive income.

Note 5

5 INCOME TAXES – CONTINUED

Deferred (tax assets)/tax liabilities	2022 Deferred tax assets DKKm	2022 Deferred tax liabilities DKKm	2022 Net DKKm	2021 Deferred tax assets DKKm	2021 Deferred tax liabilities DKKm	2021 Net DKKm
Intangible assets	(99)	3,364	3,265	(107)	3,175	3,068
Property, plant and equipment	(6)	163	157	(5)	187	182
Inventories	(86)	58	(28)	(96)	53	(43)
Provisions	(423)	-	(423)	(384)	-	(384)
Other items	(186)	71	(115)	(202)	39	(163)
Tax loss carryforwards etc.	(797)	-	(797)	(1,318)	-	(1,318)
Research and development incentives	(137)	-	(137)	(87)	-	(87)
Deferred (tax assets)/tax liabilities	**(1,734)**	**3,656**	**1,922**	**(2,199)**	**3,454**	**1,255**
Offset within legal tax entities and jurisdictions	1,504	(1,504)	-	2,006	(2,006)	-
Total net deferred (tax assets)/tax liabilities	**(230)**	**2,152**	**1,922**	**(193)**	**1,448**	**1,255**

Management estimates future income according to budgets, forecasts, business plans and initiatives scheduled for the coming years supporting the recognition of deferred tax assets. When forecasting the utilization of tax assets, the Group applies the same assumptions as for impairment testing. See note 6 *Intangible assets*.

Accordingly, at 31 December 2022, all deferred tax assets relating to tax losses carried forward in Denmark from 2015, 2016, 2018 and 2021 were capitalized in the amount of DKK 509 million (DKK 884 million at 31 December 2021).

U.S. tax losses and tax credits stemming from acquisitions have been recognized at an amount of DKK 424 million (DKK 521 million in 2021) equaling the expected utilization within a foreseeable future, whereas an amount of DKK 15 million (DKK 56 million in 2021) has not been recognized in the balance sheet.

Unrecognized deferred tax assets

	2022 DKKm	2021 DKKm
Unrecognized deferred tax assets at 1 January	102	184
Additions	18	8
Recognized	(44)	(90)
Unrecognized deferred tax assets at 31 December	**76**	**102**

Unrecognized deferred tax assets primarily relate to net operating losses and tax credits not expected to be utilized within a foreseeable future.

Note 6

6 INTANGIBLE ASSETS

Intangible assets	Goodwill DKKm	Product rights[1] DKKm	Other rights[2] DKKm	Projects in progress[2] DKKm	Total intangible assets DKKm
2022					
Cost at 1 January	5,377	31,474	1,839	133	38,823
Effect of foreign exchange differences	290	886	7	1	1,184
Transfers	-	-	57	(57)	-
Additions	-	359	16	74	449
Disposals	-	-	(83)	(20)	(103)
Cost at 31 December	**5,667**	**32,719**	**1,836**	**131**	**40,353**
Amortization and impairment losses at 1 January	-	14,377	1,696	-	16,073
Effect of foreign exchange differences	-	382	7	-	389
Amortization	-	1,371	63	-	1,434
Disposals	-	-	(43)	-	(43)
Amortization and impairment losses at 31 December	**-**	**16,130**	**1,723**	**-**	**17,853**
Carrying amount at 31 December	**5,667**	**16,589**	**113**	**131**	**22,500**

1) In 2022, product rights not yet commercialized amounted to DKK 1,973 million (DKK 5,992 million in 2021).

2) Other rights and projects in progress include items such as the IT system SAP.

In November 2022, Rexulti® achieved a sales milestone of USD 1 billion triggering the recognition of an addition in the product rights of Rexulti® of DKK 359 million (USD 50 million) and a corresponding liability. The milestone will be paid in the first quarter of 2023.

Intangible assets	Goodwill DKKm	Product rights[1] DKKm	Other rights[2] DKKm	Projects in progress[2] DKKm	Total intangible assets DKKm
2021					
Cost at 1 January	4,845	30,253	1,731	171	37,000
Effect of foreign exchange differences	347	1,209	9	1	1,566
Transfers	-	-	110	(121)	(11)
Additions	-	102	18	82	202
Additions through acquisitions, change in opening balance	185	-	-	-	185
Disposals	-	(90)	(29)	-	(119)
Cost at 31 December	**5,377**	**31,474**	**1,839**	**133**	**38,823**
Amortization and impairment losses at 1 January	-	12,621	1,641	-	14,262
Effect of foreign exchange differences	-	572	8	-	580
Amortization	-	1,274	68	-	1,342
Disposals	-	(90)	(21)	-	(111)
Amortization and impairment losses at 31 December	**-**	**14,377**	**1,696**	**-**	**16,073**
Carrying amount at 31 December	**5,377**	**17,097**	**143**	**133**	**22,750**

In 2021, Lundbeck adjusted the goodwill related to the acquisition of Alder BioPharmaceuticals (subsequently renamed to Lundbeck Seattle BioPharmaceuticals, Inc.) due to the identification of accounting errors in the purchase price allocation in prior years related to the fair value of a future milestone payment to a third party of Alder BioPharmaceuticals of DKK 273 million (see note 18 *Other payables*) and an unrecognized prepayment of DKK 39 million.

The 2021 changes to the purchase price allocation are (a) a net increase in goodwill of DKK 185 million, (b) an increase in other payables of DKK 273 million, (c) an increase in prepayments of DKK 39 million, and (d) a net decrease in deferred tax liabilities of DKK 49 million.

Due to immateriality, the accounting errors were recognized in 2021 and not as an adjustment to prior years.

Note 6

6 INTANGIBLE ASSETS - CONTINUED

Description of material product rights

Vyepti®

The eptinezumab product rights (Vyepti®), which is an investigational monoclonal antibody (mAb) for migraine prevention targeting the calcitonin gene-related peptide (CGRP), were acquired in 2019. The value of the product rights was DKK 13,421 million at the time of acquisition. At 31 December 2022, the carrying amount, net of amortization, was DKK 11,840 (DKK 12,107 million at 31 December 2021). The remaining amortization period of the Vyepti® product rights is around 13 years.

Rexulti®

Rexulti® is a prescription medication used as an adjunctive therapy to antidepressants for the treatment of MDD and as a treatment for adults with schizophrenia in certain markets. Rexulti® is co-marketed in a partnership collaboration with Otsuka Pharmaceuticals Co., Ltd. The total carrying amount of the Rexulti® product rights amounted to DKK 2,524 million, net of amortization, at 31 December 2022 (DKK 2,497 million at 31 December 2021). The remaining amortization period of the Rexulti® product rights is around 7 years.

Family of MAGLi compounds

A family of compounds; a first-in-class, small-molecule inhibitor of monoacylglycerol lipase (MAGLi/MGLL) currently being investigated in clinical trials for the treatment of neurological disorders, and various compounds in the pre-clinical phase, was acquired in 2019. The value of the family of compounds recognized as product rights was DKK 1,853 million at the time of acquisition. At 31 December 2022, the carrying amount was DKK 1,871 million (DKK 1,871 million at 31 December 2021). The family of compounds is not yet commercialized, consequently amortization has not commenced.

Amortization and impairment losses

Amortization and impairment losses for the year are included in the following functions in the statement of profit or loss:

Amortization and impairment losses	2022 DKKm	2021 DKKm
Cost of sales	1,395	1,305
Sales and distribution costs	16	8
Administrative expenses	3	5
Research and development costs	33	32
Total	**1,447**	**1,350**

Impairment testing

Goodwill

The Group is considered a single cash-generating unit (CGU) as this is how Management makes decisions and assesses business performance. All subsidiaries are considered fully integrated into the Group as no entity has significant independent or separately identifiable inflow of cash. Most cash inflows are based on the output from research and development activities performed by headquarters on behalf of the entire Group. Accordingly, an impairment test is annually performed based on Lundbeck being one single CGU.

Product rights

In addition to the impairment test for goodwill (based on the CGU), the Group performs impairment tests of product rights not yet commercialized and for product rights available for use, in case an indication of impairment is identified.

Methodology

Goodwill

In the impairment test of the CGU, based on the fair value less cost of disposal, the market price of Lundbeck is compared with its carrying amount.

Product rights

In the impairment tests of product rights, based on value-in-use, the discounted expected future cash flows for the specific asset tested are compared with the carrying amount of the intangible asset. The expected future cash flows are based on a forecast period, which is the period used by Management for decision making, with due consideration of patent expiry.

The assumptions used in the impairment test are based on benchmarked external data and historical trends. The key parameters in the calculation of the value-in-use are revenue, earnings, working capital, discount rate and the preconditions for the cash flow period.

Significant assumptions and estimates are applied to the discounted expected future cash flows from the product rights.

Notes 6-7

6 INTANGIBLE ASSETS - CONTINUED

The four category elements in the table below are taken into consideration when determining the key parameters for the value-in-use calculation.

Financial elements	**Market elements**
Prices	Healthcare reforms
Rebates	Price reforms
Quantities	Market access
Patient population	Pharma restrictions
Market shares	Launch success
Competition	Product positioning
Fill rates	Competing pharmaceuticals
Prescription rates	Generics on the market
Lundbeck costs (including promotion costs)	
R&D elements	**Other elements**
R&D spend	Supply chain effectiveness
Collaborations	Strength and abilities of partners
Pipeline success rate	
Product labelling	
Liaison with regulatory bodies	

The assumptions are based on experience, external source of information and industry-relevant observations for each product right.

The calculation of the value-in-use for product right is based on a weighted average discount rate pre-tax of 9.36% (8.58% in 2021).

2022 testing outcome
The impairment tests performed in 2022 did not result in the recognition of any impairment loss.

2021 testing outcome
The impairment tests performed in 2021 did not result in the recognition of any impairment loss.

Impact of possible changes in key assumptions (product rights not yet commercialized)
If the budgeted revenue had been 5% lower than Management's estimates, the headroom would continue to be positive. If the discount rate after tax applied to cash flows had been 0.5% higher, the headroom would continue to be positive.

The sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. The method and types of assumptions used in preparing the sensitivity analyses did not change compared to the prior period. The potential changes in key assumptions are considered within historic variations experienced by the Group and thus considered reasonably possible.

7 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment	**Land and buildings[1]** DKKm	**Plant and machinery** DKKm	**Other fixtures and fittings, tools and equipment** DKKm	**Prepayments and assets under construction** DKKm	**Total property, plant and equipment** DKKm
2022					
Cost at 1 January	3,537	2,050	844	612	7,043
Effect of foreign exchange differences	-	2	2	-	4
Transfers	159	46	20	(225)	-
Additions	9	28	11	323	371
Disposals	(20)	(77)	(28)	(4)	(129)
Cost at 31 December	**3,685**	**2,049**	**849**	**706**	**7,289**
Depreciation and impairment losses at 1 January	2,358	1,583	679	-	4,620
Effect of foreign exchange differences	(1)	1	-	-	-
Depreciation	108	105	57	-	270
Impairment losses	3	1	-	-	4
Disposals	(19)	(76)	(25)	-	(120)
Depreciation and impairment losses at 31 December	**2,449**	**1,614**	**711**	**-**	**4,774**
Carrying amount at 31 December	**1,236**	**435**	**138**	**706**	**2,515**

1) No land and buildings were mortgaged at 31 December 2022 and at 31 December 2021.

Notes 7-8

7 PROPERTY, PLANT AND EQUIPMENT - CONTINUED

Property, plant and equipment	Land and buildings[1] DKKm	Plant and machinery DKKm	Other fixtures and fittings, tools and equipment DKKm	Prepayments and assets under construction DKKm	Total property, plant and equipment DKKm
2021					
Cost at 1 January	3,495	2,002	833	492	6,822
Effect of foreign exchange differences	-	2	11	(1)	12
Transfers	61	86	53	(189)	11
Additions	10	41	49	310	410
Disposals	(29)	(81)	(102)	-	(212)
Cost at 31 December	**3,537**	**2,050**	**844**	**612**	**7,043**
Depreciation and impairment losses at 1 January	2,276	1,558	711	-	4,545
Effect of foreign exchange differences	-	1	9	-	10
Depreciation	109	100	49	-	258
Impairment losses	-	3	-	-	3
Disposals	(27)	(79)	(90)	-	(196)
Depreciation and impairment losses at 31 December	**2,358**	**1,583**	**679**	**-**	**4,620**
Carrying amount at 31 December	**1,179**	**467**	**165**	**612**	**2,423**

Useful lives of Property, plant and equipment are disclosed in note 25 *Significant accounting policies*.

Depreciation and impairment losses

Depreciation and impairment losses for the year are included in the following functions in the statement of profit or loss:

Depreciation and impairment losses	2022 DKKm	2021 DKKm
Cost of sales	194	159
Sales and distribution costs	27	34
Administrative expenses	10	21
Research and development costs	44	63
Total	**275**	**277**

8 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Land and buildings	2022 DKKm	2021 DKKm
Cost at 1 January	705	596
Effect of foreign exchange differences	6	14
Additions	13	45
Disposals	(9)	(11)
Adjustment to right-of-use assets during the year[1]	16	61
Cost at 31 December	**731**	**705**
Depreciation and impairment losses at 1 January	221	140
Effect of foreign exchange differences	1	6
Depreciation	89	83
Disposals	(7)	(8)
Depreciation and impairment losses at 31 December	**304**	**221**
Carrying amount at 31 December	**427**	**484**

1) Comprises reassessment of lease terms and renewal of lease agreements

Amounts recognized in profit or loss	2022 DKKm	2021 DKKm
Expenses relating to short-term leases, not capitalized	2	2
Depreciation of right-of-use assets, land and buildings	89	83
Interest expenses relating to lease liabilities	7	7
Total recognized in profit or loss	**98**	**92**

Notes 8-10

8 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES - CONTINUED

Development in lease liabilities	Balance at 1 January DKKm	Cash outflow DKKm	Non-cash flow DKKm	Balance at 31 December DKKm
2022				
Lease liabilities	539	(93)	37	483
Total lease liabilities	**539**	**(93)**	**37**	**483**
2021				
Lease liabilities	493	(82)	128	539
Total lease liabilities	**493**	**(82)**	**128**	**539**

	2022 DKKm	2021 DKKm
Current lease liabilities	88	86
Non-current lease liabilities	395	453
Total lease liabilities	**483**	**539**

The total cash outflow from recognized lease agreements amounted to DKK 100 million (DKK 89 million in 2021) and includes repayment of lease liabilities and interest.

The maturity analysis of lease liabilities is provided in the table ”Classification of and contractual maturity dates for financial assets and financial liabilities” in note 19 *Financial instruments*.

9 INVENTORIES

	2022 DKKm	2021 DKKm
Raw materials and consumables	209	207
Work in progress	2,207	1,534
Finished goods and goods for resale	1,557	1,034
Prepayments	73	256
Total	**4,046**	**3,031**

Inventories recognized as cost of sales amounted to DKK 2,581 million (DKK 2,337 million in 2021).

The provision for obsolescence for the year amounted to DKK 283 million (DKK 96 million in 2021). Out of the total, DKK 228 million relates to a provision recognized in the fourth quarter of 2022 in Cost of sales as a consequence of a fixed batch quantity supply agreement effective for five years up to 30 June 2023, which was acquired as part of the acquisition of Alder BioPharmaceuticals Inc., a planned transition of the antibody cell line, higher than originally expected production yields and a slower launch ramp up as a consequence of the pandemic.

Inventories of DKK 1,651 million (DKK 1,071 million in 2021) are expected to be recovered after more than 12 months.

10 TRADE RECEIVABLES

	2022 DKKm	2021 DKKm
Trade receivables	2,733	2,484
Write-downs	(24)	(25)
Trade receivables, net	**2,709**	**2,459**

Credit risks

Lundbeck’s products are sold primarily to distributors of pharmaceuticals, pharmacies and hospitals. The payment conditions for the customers, including credit periods and any payment of interest in case of non-payment, vary, but are always based on industry practice in the relevant market. As a result of special trading conditions in specific markets, the credit period may be up to approximately 200 days and for one customer 360 days. The weighted average credit period is approximately 50 days.

Changes to the Group’s customer portfolio are limited. When collaboration is established with a new customer, credit assessment is done either by Lundbeck or an external credit rating agency. At the time of revenue recognition, Lundbeck assesses the full lifetime expected credit losses. In addition, undue and due receivables are analyzed in an ongoing process. Based on the credit assessment, receivables analysis, historical and industry experience, it is estimated whether the receivables are recoverable, or write-downs are needed. Historically, losses on debtors have been insignificant.

Fluctuations in foreign exchange rates, including the impact from currency devaluations, represent an inherent risk as Lundbeck also operates in volatile economies. Lundbeck monitors and takes action to mitigate risks associated with receivables.

Notes 10-12

10 TRADE RECEIVABLES - CONTINUED

Market risks
The pharmaceutical market is characterized by the aim of authorities to reduce or cap healthcare costs in general. Market changes such as price reductions and ever-earlier launch of generics may have a considerable impact on the earnings potential of pharmaceuticals.

11 CASH RESOURCES

	2022 DKKm	2021 DKKm
Cash and bank balances	**3,548**	**2,279**

The cash and bank balances disclosed above and in the statement of cash flows include DKK 127 million which are held as restricted cash.

Liquidity risk and capital structure
The credit risk on cash and bank balances and derivatives (forward exchange contracts, currency options and interest rate swaps) is limited as Lundbeck only deals with banks with a solid credit rating. The counterparty risk towards banks with a short-term credit rating lower than A-1 (Standard & Poor's) is kept to a minimum, only allowing balances necessary for operating needs within the immediate future. To further limit the risk of loss, internal limits have been defined for the credit exposure accepted towards the banks with whom Lundbeck collaborates. Credit lines are part of the Treasury Policy.

The Treasury Policy covers financial resources, foreign currency exposure, interest rate risk, securities, loan and bond portfolios as well as capitalization of subsidiaries. The Treasury Policy is presented to the Audit Committee annually for subsequent approval by the Board of Directors. In addition, the Board of Directors approves the framework for selecting financial collaboration partners and the credit lines and types of transactions allowed.

Pursuant to its Treasury Policy, Lundbeck must ensure that a minimum of DKK 1.0 billion is held in cash or cash equivalents. If this amount is not available in cash, fixed-term deposits or bonds, Lundbeck will enter into committed credit facilities with its banking partners.

In 2019, Lundbeck entered into a revolving credit facility (RCF) of EUR 1.5 billion with its strategic banks. The RCF expires in 2026. The flexible structure of the RCF enables Lundbeck to repay the debt in full at short notice, normally not more than three months, and still maintain the facility until expiration of the credit commitment. The RCF is subject to covenants, and no breaches were encountered during the year.

At 31 December 2022, Lundbeck had unutilized committed credit facilities of DKK 9.8 billion.
In addition, Lundbeck has a number of uncommitted credit facilities to cover its day-to-day operations. At 31 December 2022 and 31 December 2021, these credit facilities were unutilized.

In October 2020, Lundbeck issued a seven-year eurobond in the amount of EUR 500 million with a fixed coupon of 0.875%. The bond was issued under Lundbeck´s euro medium-term note (EMTN) program of EUR 2 billion.

When managing the capital structure, Lundbeck's main objective is to support the Expand and invest to grow strategy; use capital resources for required research and development and for investments to realize the strategy; and to generate long-term attractive return for the shareholders. Lundbeck also wishes to be a strong financial counterparty to debt providers and other stakeholders by maintaining an investment grade credit rating (BBB-).

To maintain or adjust the capital structure, Lundbeck may adjust dividends paid to shareholders, return capital to shareholders, issue new shares, sell assets to reduce debt or increase debt. To minimize the refinancing risk, Lundbeck strives to have diversified funding, both in terms of duration and source.

Lundbeck defines capital as total equity and net interest-bearing debt (see notes *17 Bank debt, bond debt and borrowings* and 8 *Right-of-use assets and lease liabilities*) and after deducting cash resources. At 31 December 2022, total equity amounted to DKK 20,779 million (DKK 18,279 million at 31 December 2021). Net interest-bearing debt amounted to DKK 2,183 million at 31 December 2022 (DKK 3,189 million at 31 December 2021).

12 EQUITY

Share capital
On 8 June 2022, a share split of Lundbeck's existing shares was approved at an extraordinary general meeting. The approval entailed that each existing Lundbeck-share with a nominal value of DKK 5 was split into one A-share with a nominal value of DKK 1 and four B-shares each with a nominal value of DKK 1. The A-share is carrying ten votes and the B-share is carrying one vote. The A-shares and the B-shares are ordinary, fully paid shares carrying equal economic rights in all respects. As a result, all share and per share information has been retrospectively adjusted for all periods presented to reflect the impacts of the share split transaction.

Note 12

12 EQUITY – CONTINUED

Share capital

Share capital	2022 DKKm	2021 DKKm
At 1 January	996	996
At 31 December	**996**	**996**

Issued shares	A-shares Number	B-shares Number	Total issued shares Number
At 1 January 2021	199,148,222	796,592,888	995,741,110
At 31 December 2021	**199,148,222**	**796,592,888**	**995,741,110**
At 31 December 2022	**199,148,222**	**796,592,888**	**995,741,110**

Treasury shares

Treasury shares	A-shares of DKK 1 nom. Number	B-shares of DKK 1 nom. Number	Nominal value DKKm	Proportion of share capital %	Cost DKKm
2022					
Shareholding at 1 January	502,115	2,008,460	3	0.25	138
Share buyback	282,000	1,128,000	1	0.14	45
Shares used for funding incentive programmes	(203,835)	(815,340)	(1)	(0.10)	(63)
Shareholding at 31 December	**580,280**	**2,321,120**	**3**	**0.29**	**120**
2021					
Shareholding at 1 January	449,896	1,799,584	2	0.23	135
Share buyback	144,000	576,000	1	0.07	34
Shares used for funding incentive programmes	(91,781)	(367,124)	-	(0.05)	(31)
Shareholding at 31 December	**502,115**	**2,008,460**	**3**	**0.25**	**138**

In 2022, the parent company acquired treasury shares at a value of DKK 45 million (DKK 34 million in 2021), corresponding to 282,000 A-shares and 1,128,000 B-shares (144,000 A-shares and 576,000 B-shares in 2021). The shares were acquired to fund Lundbeck's long-term share-based incentive programs. A total of 203,835 A-shares and 815,340 B-shares were used for this purpose in 2022 (91,781 A-shares and 367,124 B-shares in 2021).

The Board of Directors is authorized to issue new shares and raise the share capital of the Parent Company as set out in article 4 of the Parent Company's Articles of Association.

The share capital is in compliance with the capital requirements of the Danish Companies Act and the rules of Nasdaq Copenhagen.

Distribution of profit

The Board of Directors is proposing distribution of dividends for 2022 of 30% (30% in 2021) of the net profit for the year allocated to the shareholders, equivalent to DKK 0.58 per share (DKK 0.40 per share in 2021) or DKK 578 million (DKK 398 million in 2021), inclusive of dividends on treasury shares. Total dividends are based on the current share capital.

The calculation of distribution of profit is based on a share denomination of DKK 1 as a result of the share split completed on 8 June 2022. Comparative figures have been restated to reflect the change in trading unit from a nominal value of DKK 5 to DKK 1.

Earnings per share

	2022	2021
Profit for the year (DKKm)	**1,916**	**1,318**
Average number of shares ('000 shares)	995,741	995,741
Average number of treasury shares ('000 shares)	(2,874)	(2,434)
Average number of shares, excl. treasury shares ('000 shares)	**992,867**	**993,307**
Average number of warrants, fully diluted ('000 warrants)	-	-
Earnings per share, basic (EPS) (DKK)[1)]	**1.93**	**1.33**
Earnings per share, diluted (DEPS) (DKK)[1)]	**1.93**	**1.33**

1) The calculation of EPS is based on a share denomination of DKK 1 as a result of the share split completed on 8 June 2022. Comparative figures have been restated to reflect the change in trading unit from a nominal value of DKK 5 to DKK 1.

Note 12

12 EQUITY - CONTINUED

Tax on other comprehensive income

	Before tax DKKm	Tax DKKm	After tax DKKm
2022			
Other comprehensive income recognized under foreign currency translation reserve in the statement of changes in equity			
Exchange rate gains/losses on investments in foreign subsidiaries	670	-	670
Exchange rate gains/losses on additions to net investments in foreign subsidiaries	25	(4)	21
Hedging of net investments in foreign subsidiaries	(163)	36	(127)
Total	**532**	**32**	**564**
Other comprehensive income recognized under hedging reserve in the statement of changes in equity			
Deferred gains/losses on cash flow hedge, exchange rate	(347)	76	(271)
Deferred gains/losses on cash flow hedge, interest rate	39	(9)	30
Deferred gains/losses on cash flow hedge, price	128	(28)	100
Exchange gains/losses, hedging (transferred to revenue)	588	(129)	459
Total	**408**	**(90)**	**318**
Other comprehensive income recognized under retained earnings in the statement of changes in equity			
Actuarial gains/losses	134	(19)	115
Total	**134**	**(19)**	**115**
Recognized in other comprehensive income	**1,074**	**(77)**	**997**

	Before tax DKKm	Tax DKKm	After tax DKKm
2021			
Other comprehensive income recognized under foreign currency translation reserve in the statement of changes in equity			
Exchange rate gains/losses on investments in foreign subsidiaries	960	-	960
Exchange rate gains/losses on additions to net investments in foreign subsidiaries	(157)	36	(121)
Hedging of net investments in foreign subsidiaries	(127)	28	(99)
Total	**676**	**64**	**740**
Other comprehensive income recognized under hedging reserve in the statement of changes in equity			
Deferred gains/losses on cash flow hedge, exchange rate	(340)	75	(265)
Deferred gains/losses on cash flow hedge, interest rate	63	(14)	49
Exchange gains/losses, hedging (transferred to revenue)	(53)	12	(41)
Total	**(330)**	**73**	**(257)**
Other comprehensive income recognized under retained earnings in the statement of changes in equity			
Actuarial gains/losses	(1)	-	(1)
Total	**(1)**	**-**	**(1)**
Recognized in other comprehensive income	**345**	**137**	**482**

Exchange rate gains/losses on investments in foreign subsidiaries, a gain of DKK 670 million (DKK 960 million in 2021), and exchange rate gains/losses on additions to net investments in foreign subsidiaries, a gain of DKK 25 million (a loss of DKK 157 million in 2021), are primarily driven by developments in USD/DKK and GBP/DKK exchange rates.

Note 13

13 RETIREMENT BENEFIT OBLIGATIONS AND SIMILAR OBLIGATIONS

Defined contribution plans

The major defined contribution plans cover employees in Australia, Canada, China, Denmark, Finland, South Korea, Sweden, the UK and the U.S. The cost of defined contribution plans, representing contributions to the plans, amounted to DKK 253 million in 2022 (DKK 246 million in 2021).

Defined benefit plans

The Group has defined benefit plans in a few countries. The most significant plans comprise current and former employees in Germany and the UK.

The defined benefit plan in Germany is unfunded and administered by Lundbeck Germany. The defined benefit plan in the UK is funded and constituted under a trust, whose assets are legally separated from the Group. Both plans entitle the employees to an annual pension on retirement based on the service and salary level until retirement.

Retirement benefit obligations and similar obligations	2022 DKKm	2021 DKKm
Present value of defined benefit plans	392	539
Fair value of plan assets	(277)	(285)
Limitations due to asset ceiling	3	-
Defined benefit plans at 31 December	**118**	**254**
Other obligations of a retirement benefit nature	38	35
Retirement benefit obligations and similar obligations at 31 December	**156**	**289**
Retirement benefit obligations and similar obligations break down as follows:		
Non-current assets	(58)	-
Non-current obligations	213	288
Current obligations	1	1
Net retirement benefit obligations and similar obligations at 31 December	**156**	**289**

Actuarial assumptions

The following were the key actuarial assumptions at the reporting date.

Key assumptions for the most significant plans	2022 %	2021 %
Discount rate	3.70-5.20	1.00-1.80
Inflation rate	2.35-3.65	2.10-3.30

Assumptions regarding future longevity are set based on actuarial advice in accordance with published statistics and experience in each country. The longevities underlying the values of the defined benefit obligation for the most significant plans were as follows:

Longevity at age 65 for current pensioners	2022 Years	2021 Years
Female	24.00-24.20	23.50-23.96
Male	21.00-21.80	20.51-21.50
Longevity at age 65 for current members aged 45		
Female	25.60-26.00	25.10-26.19
Male	23.00-23.10	22.80-23.27

Sensitivity analysis

The most significant assumptions used in the calculation of the obligation for defined benefit plans are discount rate, inflation rate and mortality. The sensitivity of the defined benefit obligation to changes in the most significant assumptions is shown below:

	2022		2021	
Effect in DKKm	Increase[1)]	Decrease[1)]	Increase[1)]	Decrease[1)]
Discount rate (0.25% movement)	11	(12)	21	(21)
Inflation rate (0.25% movement)	(4)	4	(8)	8
Life expectancy (1 year movement)	(14)	13	(20)	19

1) Positive amounts indicate a decrease in the actuarial obligations. Negative amounts indicate an increase in the actuarial obligations

The sensitivity analysis indicates how a change in the individual assumptions would change the obligation. However, the assumptions will most likely be correlated and consequently result in a different obligation.

Note 13

13 RETIREMENT BENEFIT OBLIGATIONS AND SIMILAR OBLIGATIONS – CONTINUED

Fair value of plan assets	2022 DKKm	2021 DKKm
Shares	99	61
Bonds	48	40
Property	35	16
Insurance contracts	67	152
Other assets	28	16
Total	**277**	**285**

Shares, bonds, property and other assets are measured at fair value based on quoted prices in an active market. Insurance contracts are not based on quoted prices in an active market.

The amounts recognized in the balance sheet and the movements in the net defined benefit obligation over the year are as follows.

Change in present value of defined benefit plans	2022 DKKm	2021 DKKm
Present value of defined benefit plans at 1 January	539	530
Effect of foreign exchange differences	(7)	20
Pension expenses	8	7
Interest expenses relating to the obligations	8	7
Experience adjustments	22	(7)
Adjustments relating to financial assumptions	(166)	4
Adjustments relating to demographic assumptions	-	(3)
Benefits paid	(14)	(20)
Employee contributions	1	1
Other	1	-
Present value of defined benefit plans at 31 December	**392**	**539**

Change in fair value of plan assets	2022 DKKm	2021 DKKm
Fair value of plan assets at 1 January	285	275
Effect of foreign exchange differences	(8)	18
Interest income on plan assets	5	5
Experience adjustments	(7)	(7)
Administration fees	(1)	(1)
Contributions	8	8
Benefits paid	(6)	(14)
Employee contributions	1	1
Fair value of plan assets at 31 December	**277**	**285**

Net expense recognized in profit or loss	2022 DKKm	2021 DKKm
Pension expenses	8	7
Finance costs	3	2
Administration fees	1	1
Total	**12**	**10**

Amount recognized in other comprehensive income	2022 DKKm	2021 DKKm
Actuarial (gains)/losses	(134)	1

	2022 DKKm	2021 DKKm
Realized return on plan assets	(2)	(2)

The benefit under unfunded defined benefit plans is paid directly by the Group. In some countries, the future contribution to funded defined benefit plans depends on the development in salaries, administrative fees and regular premiums, and in other countries on the surplus/deficit according to local requirements. The weighted average duration of the obligation is 12 years (15 years in 2021). The expected contribution to defined benefit plans for 2023 is DKK 15 million (DKK 12 million for 2022).

Other obligations of a retirement benefit nature

In 2022, an obligation of DKK 38 million (DKK 35 million in 2021) was recognized to cover other obligations of a retirement benefit nature, which primarily include post-employment benefits in a number of subsidiaries. These benefit payments are conditional upon specified requirements being met.

Note 14

14 INCENTIVE PROGRAMS

In order to attract, retain and motivate key employees and align their interests with those of its shareholders, Lundbeck has established a number of long-term incentive programs. Lundbeck uses equity- and cash-settled programs.

Equity-settled programs
The Group has established a restricted share units (RSU) program for Lundbeck's registered Executive Management and key employees, as part of Lundbeck's recurring long-term incentive program. Four of the members of the registered Executive Management and some key employees employed with the Group were granted RSUs. The total number of options granted to those professionals are disclosed below. The participants were selected on the basis of job level. All the RSUs vest three years after grant. Vesting is subject to the Board of Directors' decision on vesting, to Lundbeck achieving certain strategic and financial targets specified by the Board of Directors and to continuing employment with the Group during the vesting period. The fair value of the RSUs has been calculated on the basis of share price reduced by an expected dividend yield of 2.00% p.a. The fair value is disclosed below for each date of grant.

The RSUs granted to the registered Executive Management and key employees in 2018 and 2019 vested in 2022. The RSUs granted to the registered Executive Management and key employees in 2017 vested in 2021.

RSU programs	2022	2021	2020	2019	2018
Number of persons included in the program	176	139	135	139	133
Total number of RSUs granted	1,592,060	801,365	695,595	639,495	536,605
Number of RSUs granted to the registered Executive Management	385,659	173,905	149,615	140,640	123,915
Vesting date	01.02.25	01.02.24	01.02.23	01.02.22	01.02.22
Fair value at the date of grant, DKK	28.43	47.24	51.68	53.94	58.21

Comparative figures for 2018 to 2021 have been restated to reflect the result of the share split completed on 8 June 2022. See note 12 *Equity* for more details.

Cash-settled programs
In 2022, the cash-settled programs consisted of restricted cash units (RCUs). The cash-settled programs cannot be converted into shares as this program is settled in cash.

The Group has established an RCU program for the Chief Executive Officer (CEO) and a few key employees in the U.S. subsidiaries. The general terms and conditions are similar to those applying to the RSU program. At 31 December 2022, the RCUs granted to the CEO, totaled to 290,515 RCUs (168,105 RCUs for the 2021 program), and the RCUs granted to key employees, totaled to 14,205 RCUs (7,525 RCUs for the 2021 program). All RCUs will vest three years after grant. Vesting is subject to the Board of Directors' decision on vesting, to Lundbeck achieving certain strategic and financial targets specified by the Board of Directors and to continuing employment with the Group during the vesting period. The size of the amount depends on the value of the Lundbeck share on the vesting date. The fair value at the time of the initial grant was DKK 28.43 per RCU (DKK 47.24 for the 2021 program).

The RCUs granted in 2017 and 2018 were vested, respectively, in 2021 and 2022 and subsequently settled.

Fair value, liability and expense recognized in the statement of profit or loss
The RSUs granted are recognized in profit or loss for 2022 and 2021 at an expense corresponding to the fair value at the time of grant for the part of the vesting period attributable to each one. The total expense recognized in respect of equity-settled programs amounted to DKK 30 million (DKK 37 million in 2021).
At 31 December 2022, the fair value of the remaining equity-settled programs was DKK 84 million (DKK 91 million at 31 December 2021).

The RCUs granted are recognized in the income statement at an expense corresponding to the value adjustment for the year based on the performance of the Lundbeck share. The total expense recognized in respect of cash-settled programs amounted to DKK 4 million (DKK 4 million in 2021) and covers all cash-settled programs in force at 31 December 2022. At 31 December 2022, the total liability in respect of cash-settled programs was DKK 10 million (DKK 11 million at 31 December 2021).

The total expense recognized in profit or loss for all incentive programs amounted to DKK 34 million in 2022 (DKK 41 million in 2021).

Notes 15-16

15 PROVISIONS

	Discounts and rebates DKKm	Product returns DKKm	Other provisions DKKm	Total DKKm
2022				
Provisions at 1 January	923	85	489	1,497
Effect of foreign exchange differences	59	3	10	72
Additional provisions recognized	2,096	171	149	2,416
Provisions used during the year	(2,166)	(112)	(194)	(2,472)
Reversal of unused provisions	(22)	(1)	(168)	(191)
Provisions at 31 December	**890**	**146**	**286**	**1,322**
Provisions break down as follows:				
Non-current provisions	-	68	122	190
Current provisions	890	78	164	1,132
Provisions at 31 December	**890**	**146**	**286**	**1,322**

Discounts and rebates

The most significant sales deductions are in the U.S. and comprise discounts and rebates given in connection with sales under the U.S. Federal and State Government Healthcare programs, primarily Medicaid.

Management's estimate of discounts and rebates is based on a calculation which includes a combination of historical product/population utilization mix, price increases, program/market growth and state-specific information. Further, the calculation of rebates involves legal interpretation of relevant regulations and is subject to changes in interpretive guidance from governmental authorities. The obligations for discounts and rebates are incurred at the time the sale is recorded; however, the actual rebate related to a specific sale may be invoiced by the authorities six to nine months later. In addition to this billing time lag, there is no statute of limitations for states to submit rebate claims; thus, rebate adjustments in any particular period may relate to sales from a prior period. Moreover, when a product loses exclusivity, shifts in payer mix may cause Medicaid claims/estimates to be more volatile.

Product returns

The Group has product return obligations normal for the industry. Management does not expect any major losses from these obligations apart from the amount already recognized.

Other provisions

At 31 December 2022, the total restructuring provision amounted to DKK 18 million (DKK 253 million at 31 December 2021).

In 2022, DKK 97 million of the restructuring provision was used and DKK 138 million was reversed, due to lower than expected usage.

In addition, other provisions comprise liabilities relating to items such as legal disputes.

16 CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Pending legal proceedings

Lundbeck is involved in a number of legal proceedings, including patent disputes, the most significant of which are described below. The outcome of these proceedings is not expected to have a material impact on the Group's financial position or cash flows beyond the amount already provided for in the financial statements, or it is too uncertain to make a reliable provision. Such proceedings will, however, develop over time, and new proceedings may occur which could have a material impact on the Group's financial position and/or cash flows.

In June 2013, Lundbeck received the European Commission's decision that agreements concluded with four generic competitors concerning citalopram violated competition law. The decision included fining Lundbeck EUR 93.8 million (approximately DKK 700 million). Lundbeck paid and expensed the fine in the third quarter of 2013. In March 2021, the European Court of Justice rejected Lundbeck's final appeal of the European Commission's decision. So-called "follow-on claims" for reimbursement of alleged losses, resulting from alleged violation of competition law, often arise when decisions and fines issued by the European Commission are upheld by the European Court of Justice. Health authorities in the UK and an umbrella organization of Dutch health insurance companies have taken formal protective steps against Lundbeck with the principal purpose of preventing potential claims from being time-barred under the applicable statutes of limitation. In September 2021, the UK proceedings were transferred from the High Court to the Competition Appeal Tribunal at the request of the parties. Late September 2022, Lundbeck received a required eight weeks' notice, which means that the UK health authorities may submit its claim to the court after 25 November 2022. Lundbeck expects that the UK health authorities will now pursue their alleged claims. Further, in late October 2021, Lundbeck received a writ of summons from a German health care company claiming compensation for an alleged loss of profit plus interest payments, allegedly resulting from Lundbeck's conclusion of agreements with two of the four generic competitors, which were comprised by the EU Court of Justice ruling. Lundbeck has filed its first defense in May 2022, and the parties have subsequently exchanged additional pleadings. The court date for the first instance hearing has not yet been fixed and it may take several years before a final conclusion is reached by the German courts. Finally, in March and April 2022 Lundbeck received letters from several regional health authorities in Spain specifically stating that they are intended to interrupt the statute of limitation. It is still uncertain whether the health authorities in Spain will actively pursue any claims. Lundbeck disagrees with all claims and intends to defend itself against them.

Note 16

16 CONTINGENT ASSETS AND CONTINGENT LIABILITIES - CONTINUED

In Canada, Lundbeck is involved in three product liability class-action lawsuits relating to Cipralex/Celexa® (two cases alleging various Celexa-induced birth defects and one case against several SSRI manufacturers (incl. Lundbeck) alleging that SSRI (Celexa/Lexapro®) induces autism birth defect, three relating to Abilify Maintena® (alleging i.a. failure to warn about compulsive behavior side effects) and one relating to Rexulti® (also alleging i.a. failure to warn about compulsive behavior side effects). The cases are in the preliminary stages and as such there is significant uncertainty as to how these lawsuits will be resolved. Lundbeck strongly disagrees with the claims raised.

In 2018, Lundbeck entered into settlements with three of four generic companies involved in an Australian federal court case, in which Lundbeck was pursuing patent infringement and damages claims over the sale of escitalopram products in Australia. Lundbeck received AUD 51.7 million (DKK 242 million) in 2018. In Lundbeck's case against the last of the four generic companies, Sandoz Pty Ltd, the Federal Court found that Sandoz Pty Ltd had infringed Lundbeck's escitalopram patent between 2009 and 2012 and awarded Lundbeck AUD 26.3 million in damages. Sandoz' appeal of the decision was heard in May 2019, and the Full Federal Court has in August 2020 allowed Sandoz' appeal and decided that Sandoz is not liable for damages. The High Court of Australia has now allowed Lundbeck's appeal and overturned the Full Federal Court decision on all major issues. The case has been send back to the Federal Court for recalculation of damages and Lundbeck's appeal of the Australian Patent Office's decision to grant Sandoz a license will be restarted.

Together with Takeda, Lundbeck instituted patent infringement proceedings against 16 generic companies in response to their filing of Abbreviated New Drug Applications ("ANDAs") with the U.S. FDA seeking to obtain marketing approval for generic versions of Trintellix in the U.S. Two opponents have since withdrawn and Lundbeck has settled with eight opponents. As communicated by Lundbeck in company release no. 706 dated 1 October 2021, the cases against the six remaining opponents (the "ANDA Filers") have been decided by the U.S. District Court for the District of Delaware (the 'Court'). The Court found that Lundbeck's compound patent (U.S. Patent No. 7,144,884) is valid. The compound patent expires on 17 June 2026, with an expected six-month pediatric exclusivity period extending to 17 December 2026. Assuming the ruling is confirmed at appeal, final approval will not be granted to the relevant ANDA Filers until after expiration of the compound patent, including any extension or additional periods of exclusivity. A total of seven other patents asserted at trial were found by the Court to be valid or their validity was not challenged during the trial. The Court decided that none of the seven other patents were infringed by the relevant ANDA Filers, except that Lupin was found to infringe a patent covering Lundbeck's process for manufacturing vortioxetine. Unless and until the Court's ruling is reversed on appeal, the patents found not infringed by a particular ANDA Filer will not prevent that ANDA Filer from receiving final approval. For details on each of the patents comprised by the case, please see company release no. 706. The Court's decision has been appealed by Lundbeck to the U.S. Court of Appeals for the Federal Circuit. Lupin has appealed with respect to the process patent and the ANDA Filers have cross appealed with respect to the validity of two of the seven other patents. The validity of the compound patent has not been challenged under the appeal.

Together with Otsuka Pharmaceutical, Lundbeck has instituted patent infringement proceedings against several generic companies that have applied for marketing authorization for generic versions of Rexulti® (brexpiprazole) in the U.S. The proceedings have now been resolved. The compound patent remains valid until June 23, 2029, including expected pediatric extensions.

Lundbeck received a Civil Investigative Demand ("CID") from the U.S. Department of Justice ("DOJ") in March 2020. The CID seeks information regarding the sales, marketing, and promotion of Trintellix®. Lundbeck is cooperating with the DOJ.

Lundbeck and Otsuka have received a Paragraph IV certification from Mylan Pharmaceuticals with respect to certain of the patent listed for Abilify Maintena® in the U.S., and Otsuka and Lundbeck have instituted patent infringement proceedings against Mylan and Viatris Inc. The U.S. FDA cannot grant marketing authorization in the U.S. to Mylan or Viatris Inc. before the patents expire unless they receive a decision in their favor. A District Court decision is currently expected by August 2024. Abilify Maintena® is covered by several U.S. patents relating to specific forms of the active ingredient, formulations, processes, devices, indications and methods of use, which will expire in different years, with the latest patent expiry date in the United States being in 2034.

In June 2022 in the U.S., several entities created for the purpose of receiving assignment of claims from payors providing health insurance coverage pursuant to Medicare Parts C and D and Medicaid filed a complaint against Lundbeck and others. The complaint alleges that Lundbeck and the other defendants conspired to increase the unit price and quantity dispensed of Xenazine®. Lundbeck denies the allegations in the complaint and intends to defend itself.

The Group has been involved in environmental investigations. Lundbeck does not consider it probable that the investigation will result in a liability.

Joint taxation

H. Lundbeck A/S and Danish subsidiaries are part of a Danish joint taxation scheme with Lundbeckfonden (Lundbeckfond Invest A/S including subsidiaries of Lundbeckfond Invest A/S), according to which the Company has partly a joint and several liability and partly a secondary liability with respect to corporate income taxes etc. for the jointly-taxed companies. In addition, H. Lundbeck A/S has partly a joint and several liability and partly a secondary liability with respect to any obligations to withhold tax on interest, royalties and dividends for these companies. However, in both cases the secondary liability is capped at an amount equal to the share of the capital of the Company directly or indirectly owned by the ultimate parent company. The total tax obligation under the joint taxation scheme is shown in the financial statements of Lundbeckfond Invest A/S.

Notes 17-18

17 BANK DEBT, BOND DEBT AND BORROWINGS

Bank debt and bond debt maturing within below periods from the balance sheet date	2022 DKKm	2021 DKKm
Between one and five years	5,096	1,083
After more than five years	-	3,700
Bank debt and bond debt at 31 December	**5,096**	**4,783**
Bank debt and bond debt break down as follows:		
Non-current bank debt and bond debt	5,096	4,783
Bank debt and bond debt at 31 December	**5,096**	**4,783**

For maturity analysis of loans, see *note 19 Financial instruments*.

	Currency	Expiry of commitment	Fixed/ floating	Weighted average effective interest rate %	Amortized cost DKKm	Nominal value DKKm	Fair value DKKm
2022							
Bank loan	USD	Jun 2026	Floating	5.09	1,393	1,393	1,393
Issued bonds	EUR	Oct 2027	Fixed	0.88	3,703	3,718	3,155
Total					**5,096**	**5,111**	**4,548**
2021							
Bank loan	USD	Jun 2025	Floating	0.93	1,083	1,083	1,083
Issued bonds	EUR	Oct 2027	Fixed	0.88	3,700	3,718	3,755
Total					**4,783**	**4,801**	**4,838**

The USD funding has been swapped into fixed interest rates by interest rate swaps. The nominal amounts of the interest rate swaps follow the expected repayment profile of the USD debt until they expire in 2023.

The total outstanding amount of the interest rate swaps at 31 December 2022 was USD 190 million, and the average interest rate was 1.56% for the fixed legs and 4.19% for the floating legs.

The eurobond is issued with a fixed coupon until October 2027.

Amortized cost is calculated as the proceeds received less instalments paid, plus or minus amortization of capital gains or losses.

Development in bank debt, bond debt and borrowings

Development in bank debt, bond debt and borrowings	Balance at 1 January DKKm	Cash inflow DKKm	Cash outflow DKKm	Non-cash flow DKKm	Balance at 31 December DKKm
2022					
Bank loans	1,083	1,234	(1,086)	162	1,393
Issued bonds	3,700	-	-	3	3,703
Total bank debt and bond debt	**4,783**	**1,234**	**(1,086)**	**165**	**5,096**
2021					
Bank loans	3,698	400	(3,123)	108	1,083
Issued bonds	3,699	-	-	1	3,700
Total bank debt and bond debt	**7,397**	**400**	**(3,123)**	**109**	**4,783**

18 OTHER PAYABLES

	2022 DKKm	2021 DKKm
Contingent consideration	344	386
Other payables	84	106
Non-current payables	**428**	**492**
Contingent consideration	-	1,237
Employee costs payables	716	696
Milestone payable	359	1
Debt with public authorities	185	11
Financial instruments	204	243
Other	728	705
Current payables	**2,192**	**2,893**

Notes 18-19

18 OTHER PAYABLES - CONTINUED

Contingent consideration recognized through acquisitions
As part of the acquisition of Alder BioPharmaceuticals, Inc. (subsequently renamed Lundbeck Seattle BioPharmaceuticals, Inc.), Lundbeck recognized a payable contingent value right (CVR) of USD 2.00 per share upon European approval of eptinezumab and a sales milestone dependent on predefined milestones being reached.

The fair value of contingent consideration is calculated as the discounted cash outflows (DCF method) from future milestone payment, taking probability of success into consideration. The probability of success used for the calculations of the fair value of the CVR and the sales target milestone was increased to 100% following the EMA approval. The probability of success of 83.2% used for the calculations of the fair value of the CVR and the sales target milestone in the initial recognition was based on the BIO/MedTracker 2016 publication.

During the first quarter of 2022, the Vyepti® EMA approval triggered the payment of the entire CVR to the former shareholders of Alder BioPharmaceuticals, Inc. (subsequently changed to Lundbeck Seattle BioPharmaceuticals, Inc.). The CVR payment was performed in the first quarter of 2022 and amounted to DKK 1,566 million. At 31 December 2022, the fair value of the CVR milestone amounted to DKK 0 million (DKK 1,237 million at 31 December 2021) and the sales milestone amounted to DKK 306 million (DKK 326 million at 31 December 2021).

As part of the acquisition of Abide Therapeutics, Inc., (subsequently renamed Lundbeck La Jolla Research Center, Inc.), Lundbeck recognized a payable related to sales milestones dependent on predefined milestones being reached. At 31 December 2022, the fair value of the contingent consideration amounted to DKK 38 million (DKK 60 million at 31 December 2021).

Contingent considerations are recognized at fair value. The calculation of the fair value is based on the discounted cash flow method (DCF method) which comprises significant assumptions and estimates. Expected timing of payment (using a specific discount rate) and probability of success are key inputs to the fair value of the contingent considerations.

The fair value adjustment of all contingent considerations amounted to a net loss of DKK 229 million, being DKK 300 million of financial expenses and DKK 71 million of financial income. Out of financial expense, DKK 278 million relates to the increase of the probability of success of milestone payments from 83.2% to 100% which occurred in the first quarter of 2022 following the EMA approval.

19 FINANCIAL INSTRUMENTS

Market risks

Credit risks
Credit risks are predominantly associated to Trade receivables and Cash and bank balances. The structure, policies and the approach established by the Group to manage and monitor those risks are disclosed in notes 10 *Trade receivables* and 11 *Cash resources*.

Foreign currency risks
Foreign currency management is handled centrally by the Parent Company. Currency management focuses on risk mitigation and is carried out in conformity with the Group's Treasury Policy, as approved by the Board of Directors. Foreign currency risks managed by derivatives and loans in 2022 comprise cash flow risk in several currencies and USD translation risk emanating from net investments in foreign subsidiaries.

The Parent Company hedges a part of the Group's anticipated revenue in selected currencies for a period of 12-18 months using forward exchange contracts and currency options. Hedging is performed on a rolling basis each month. The forward exchange contracts and currency options are classified as hedging instruments when meeting the accounting criteria for hedge accounting according to IFRS 9 *Financial Instruments*. Unhedged cash flows are sold spot. Changes in the fair value of all instruments meeting the criteria for hedge accounting are recognized in the statement of comprehensive income as they arise, together with the forward points and option premiums. At maturity of the hedge contracts, the final effect is transferred from other comprehensive income and recognized in the profit or loss or balance sheet together with the hedged item.

Forward exchange contracts and currency options that do not meet the hedge accounting criteria are classified as trading contracts, and changes in the fair value are recognized under financial income or financial expenses as they arise.

Cash flow timing and changes to the forecasted amounts are the main sources for evaluating the risk of hedge ineffectiveness. When concluding a hedge transaction, and each time presenting the financial statements thereafter, it is assessed whether the hedged exposure and the hedging instrument are still financially correlated. If the hedged cash flows are no longer expected to be realized, the accumulated value change is transferred to financial income or financial expenses.

Lundbeck did not have any hedge ineffectiveness in 2022 or 2021.

Note 19

19 FINANCIAL INSTRUMENTS - CONTINUED

The Group's hedge position at the end of the reporting period was as follows:

Forward exchange contracts (against DKK)	Contract amount according to hedge accounting	Fair value at year-end recognized in the statement of comprehen-sive income/ other receivables	Fair value at year-end recognized in the statement of comprehen-sive income/ other payables	Realized exchange gains/losses for the year recognized in the statement of profit or loss/ statement of financial position	Average hedge prices of existing forward exchange contracts	Maturity
	DKKm	DKKm	DKKm	DKKm	DKK	
2022						
CAD (sell position)	237	9	(0)	(36)	526.29	Nov. 2023
CNY (sell position)	584	12	(1)	(55)	102.83	Nov. 2023
KRW (sell position)	227	3	(7)	28	0.56	Dec. 2023
USD (sell position)	3,895	116	(35)	(343)	711.45	Dec. 2023
Other currencies	1,057	14	(26)	(87)		Dec. 2023
Total		**154**	**(69)**	**(493)**		
2021						
CAD (sell position)	393	-	(12)	(23)	499.04	Oct. 2022
CNY (sell position)	505	-	(33)	(28)	95.53	Oct. 2022
JPY (sell position)	252	-	(1)	14	5.69	Nov. 2022
USD (sell position)	3,030	1	(109)	116	631.25	Nov. 2022
Other currencies	1,136	15	(27)	(26)		Dec. 2022
Total		**16**	**(182)**	**53**		

Currency option contracts (against DKK)	Contract amount according to hedge accounting	Fair value at year-end recognized in the statement of comprehen-sive income/ other receivables	Fair value at year-end recognized in the statement of comprehen-sive income/ other payables	Realized exchange gains/losses for the year recognized in the statement of profit or loss /statement of financial position	Average hedge price range of existing option contracts[1)]	Maturity
	DKKm	DKKm	DKKm	DKKm	DKK	
2022						
CAD (sell position)	214	7	(6)	(9)	525.87 - 567.14	Nov. 2023
USD (sell position)	1,028	6	(37)	(84)	665.42 - 728.74	Sep. 2023
Other	-	-	-	(2)		
		13	**(43)**	**(95)**		

1) Lundbeck's option structures all consist of a (1) purchased put option and a sold call option which protects against downside movements in currency and limits the upside or a (2) purchased put option which protect against downside movements. The hedge price range is shown net of premium.

Net foreign exchange contracts, trading

There were no outstanding forward exchange contracts relating to trading at 31 December 2022 and no material impact from trading contracts was recognized in financial income or financial expenses in 2022.

Hedges of net investment

Lundbeck has hedged part of the translation risk emanating from its net investments in foreign subsidiaries in the U.S. by taking out bank debt in USD. Thereby, Lundbeck decreases the negative impact that a weaker USD would have on the value of its U.S. assets, as a decrease in the value of the debt portfolio will offset part of this impact. Lundbeck designates the USD bank debt as hedge of net investment, and the exchange rate adjustments are recognized in other comprehensive income. The hedges of net investment are considered to be effective as long as the carrying amount of the net assets in the foreign operation is (at least) equal to the notional amount on the hedging instrument. For more information about the net investment hedges, see note 17 *Bank debt, bond debt and borrowings*.

Note 19

19 FINANCIAL INSTRUMENTS - CONTINUED

Estimated impact from financial instruments on profit for the year and equity from a 5% increase in year-end exchange rates of the major currencies

	CAD[1] DKKm	CNY[1] DKKm	USD[1] DKKm
2022			
Profit for the year	-	(2)	28
Equity	(21)	(37)	(366)
2021			
Profit for the year	3	3	9
Equity	(23)	(32)	(235)

1) An immediate 5% decrease would have the opposite impact of the above.

The shown sensitivities only comprise impact from Lundbeck's financial instruments and reflect a relative change of the exchange rates at 31 December 2022 and 2021. The sensitivity analysis includes derivatives, bank loans, trade receivable, trade payables, intercompany lending and borrowing as those are the financial instruments where the Group has the most currency exposure.

The profit impact comprises financial instruments that remained open at the balance sheet date and which have an impact on profit in the current financial year. It includes foreign exchange differences relating to intra-group balances that are not eliminated in the consolidated financial statements. The calculation of the estimated impact is based on the functional currency of the entities where the financial instruments are located.

The profit impact is limited as the largest liabilities are exchange rate adjusted in other comprehensive income, being part of Lundbeck's hedging structure.

The equity impact includes financial instruments that remained open at the balance sheet date and which are exchange rate adjusted in other comprehensive income. The equity effect in 2022 and 2021 primarily consists of exchange rate adjustments on bank loans in USD that are designated as hedges of net investment and foreign exchange differences on outstanding cash flow hedging contracts.

Due to Denmark's long-standing fixed exchange rate policy against the euro and the expected continuation of this policy, the foreign currency risk for euro is considered immaterial, and euro is therefore not included in the table above.

Interest rate risks

Lundbeck ensures that the interest rate risk is managed according to the Treasury Policy. Interest rate risk relates mainly to outstanding interest-bearing debt with floating interest rates. Interest rate risk management is handled centrally by the Parent Company. Through the Group's Treasury Policy, the Board of Directors has approved the limits for borrowing and investment. Loans secured by property must be approved by the Board of Directors. Only a limited part of the total loan portfolio is allowed to have floating interest rates, and to hedge the interest rate risk on loans, the Board of Directors has approved the use of Interest Rate Swaps (IRS), Caps, Floors and Forward Rate Agreements (FRAs).

Lundbeck's exposure to interest rate risk is low, as the EUR 500 million bond has a fixed coupon and the USD funding has been swapped into fixed interest through interest rate swaps. For more information about interest rate swaps, see note 17 *Bank debt, bond debt and borrowings*.

An interest rate change on bank debt and bond debt, including interest rate swaps, of +/- 1 percentage point would decrease/increase profit for the year before tax by DKK 0 million (DKK 2 million in 2021) and increase/decrease equity by DKK 6 million at 31 December 2022 (DKK 19 million at 31 December 2021).

At 31 December 2022, the Group are not exposed to the impacts of the IBOR reform. However, management has monitored the effects of those changes in order to identify risks and opportunities that might come up from that.

See note 18 *Other payables* for details on the obligations relating to contingent consideration and note 17 *Bank debt, bond debt and borrowings* for details on the bank debt and bond debt.

The below table includes undiscounted cash flows, including interest payments, and assumes liabilities to be repaid at their contractual maturity dates.

Note 19

19 FINANCIAL INSTRUMENTS - CONTINUED

Classification of and contractual maturity dates for financial assets and financial liabilities

2022	Within 1 year DKKm	Between 1 and 5 years DKKm	After 5 years DKKm	Total DKKm	Effective interest rates %
Financial assets					
Derivatives to hedge future cash flows – exchange rate	167	-	-	167	-
Derivatives to hedge future cash flows – interest rate	30	-	-	30	4-6
Derivatives to hedge future cash flows - price	36	76	16	128	-
Derivatives to hedge net investments	-	-	-	-	-
Financial assets measured at FVTOCI[1]	**233**	**76**	**16**	**325**	
Other financial assets	-	-	81	81	-
Other financial assets measured at FVTPL[2]	**-**	**-**	**81**	**81**	
Receivables[3]	2,795	137	-	2,932	-
Cash and bank balances	3,548	-	-	3,548	0-10
Financial assets measured at amortized cost	**6,343**	**137**	**-**	**6,480**	
Total financial assets	**6,576**	**213**	**97**	**6,886**	
Financial liabilities					
Derivatives to hedge future cash flows – exchange rate	114	-	-	114	-
Derivatives to hedge future cash flows – interest rate	9	-	-	9	0-2
Financial liabilities measured at FVTOCI[1]	**123**	**-**	**-**	**123**	
Contingent consideration[4]	-	-	344	344	
Other financial liabilities measured at FVTPL[2]	**-**	**-**	**344**	**344**	
Bank and bond debt	114	5,428	-	5,542	1-6
Lease liabilities	88	234	161	483	1-8
Trade and other payables	5,112	78	-	5,190	-
Financial liabilities measured at amortized cost	**5,314**	**5,740**	**161**	**11,216**	
Total financial liabilities	**5,437**	**5,740**	**505**	**11,682**	

1) Fair value through other comprehensive income.
2) Fair value through profit or loss.
3) Including other receivables recognized in non-current assets.
4) See note 18 *Other payables*.

2021	Within 1 year DKKm	Between 1 and 5 years DKKm	After 5 years DKKm	Total DKKm	Effective interest rates %
Financial assets					
Derivatives to hedge future cash flows – exchange rate	19	-	-	19	-
Derivatives to hedge future cash flows – interest rate	5	4	-	9	0-2
Derivatives to hedge net investments	-	-	-	-	0-2
Financial assets measured at FVTOCI[1]	**24**	**4**	**-**	**28**	
Other financial assets	-	-	57	57	-
Other financial assets measured at FVTPL[2]	**-**	**-**	**57**	**57**	
Receivables[3]	2,707	134	-	2,841	-
Cash and bank balances	2,279	-	-	2,279	(1)-10
Financial assets measured at amortized cost	**4,986**	**134**	**-**	**5,120**	
Total financial assets	**5,010**	**138**	**57**	**5,205**	
Financial liabilities					
Derivatives to hedge future cash flows – exchange rate	202	-	-	202	-
Derivatives to hedge future cash flows – interest rate	24	9	-	33	0-2
Financial liabilities measured at FVTOCI[1]	**226**	**9**	**-**	**235**	
Contingent consideration[4]	1,237	33	353	1,623	
Other financial liabilities measured at FVTPL[2]	**1,237**	**33**	**353**	**1,623**	
Bank and bond debt	45	1,260	3,751	5,056	0-2
Lease liabilities	86	266	187	539	1-8
Trade and other payables	5,320	101	-	5,421	-
Financial liabilities measured at amortized cost	**5,451**	**1,627**	**3,938**	**11,016**	
Total financial liabilities	**6,914**	**1,669**	**4,291**	**12,874**	

1) Fair value through other comprehensive income.
2) Fair value through profit or loss.
3) Including other receivables recognized in non-current assets.
4) See note 18 *Other payables*.

Notes 19-20

19 FINANCIAL INSTRUMENTS - CONTINUED

Financial assets and financial liabilities measured or disclosed at fair value	Level 1 DKKm	Level 2 DKKm	Level 3 DKKm
2022			
Financial assets			
Other financial assets[1]	54	-	27
Derivatives[1]	-	277	128
Total	**54**	**277**	**155**
Financial liabilities			
Contingent consideration[1]	-	-	344
Derivatives[1]	-	204	-
Bank debt[2]	-	1,393	-
Bond debt[2]	3,155	-	-
Total	**3,155**	**1,597**	**344**
2021			
Financial assets			
Other financial assets[1]	22	-	35
Derivatives[1]	-	41	-
Total	**22**	**41**	**35**
Financial liabilities			
Contingent consideration[1]	-	-	1,623
Derivatives[1]	-	243	-
Bank debt[2]	-	1,083	-
Bond debt[2]	3,755	-	-
Total	**3,755**	**1,326**	**1,623**

1) Measured at fair value.

2) Disclosed at fair value.

The fair value of listed securities is based on publicly quoted prices of the invested assets.

The fair value of derivatives is calculated by applying recognized measurement techniques, whereby assumptions are based on the market conditions prevailing at the balance sheet date.

The fair value of contingent consideration is calculated as the discounted cash outflows (DCF method) from future milestone payments, taking probability of success into consideration. The fair value of other financial assets is calculated through the financial performance of the market inputs (i.e. interest swap rates) and other market conditions prevailing at the balance sheet date.

The fair value adjustment of contingent consideration amounts to a net loss of DKK 229 million and is the result of payment of EMA approval CVR, changes in the time value of the contingent value rights and of the sales milestones dependent on predefined milestones being reached.

Total contingent consideration amounted to DKK 344 million at 31 December 2022 (DKK 1,623 million at 31 December 2021).

The carrying amount of other receivables, trade receivables, prepayments, bank debt, other debt, trade payables and other payables is believed to be equal to or close to fair value.

There are no changes in the valuation techniques to determine the fair values of assets recognized and disclosed.

20 AUDIT FEES

	2022 DKKm	2021 DKKm
Statutory audit	11	9
Assurance engagements other than audit	1	1
Tax advisory	2	2
Other services	5	4
Fee to PricewaterhouseCoopers	**19**	**16**

The fee for non-audit services provided to the Group by PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab, Denmark, amounted to DKK 5 million (DKK 3 million in 2021) and consisted of a digital patient platform project, other assurance services and other accounting and tax advisory services.

Certain subsidiaries of the Group are not subject to audit by PricewaterhouseCoopers.

Notes 21-22

21 CONTRACTUAL OBLIGATIONS

Research and development milestones and collaborations
The Group has entered into a number of agreements relating to research and development of new products and intellectual property rights from acquisitions, as well as other collaborations. According to the agreements, Lundbeck is committed to pay certain milestones.

At 31 December 2022, potential future milestone payments amounted to DKK 1,095 million (DKK 1,031 million at 31 December 2021).

Sales milestones
Lundbeck is committed to pay certain commercial sales milestones, royalties or other payments based on a percentage of sales generated from sale of goods following marketing approval. These amounts are excluded from the contractual obligations because of their contingent nature, dependent on future sales.

Other purchase obligations
The Group has undertaken purchase obligations relating to property, plant and equipment in the amount of DKK 32 million (DKK 68 million in 2021).

22 RELATED PARTIES

Lundbeck's related parties
- The Parent Company's principal shareholder, Lundbeckfonden (Lundbeckfond Invest A/S), Scherfigsvej 7, 2100 Copenhagen, Denmark.
- Companies in which Lundbeckfonden exercises controlling influence, including ALK-Abelló A/S and Falck A/S.
- Members of the Parent Company's registered Executive Management and Board of Directors as well as close relatives of these persons.
- Companies in which members of the Parent Company's registered Executive Management and Board of Directors as well as close relatives of these persons exercise controlling influence.

Transactions and balances with Lundbeckfonden
There have been the following transactions and balances with Lundbeckfonden:
- Payment of dividends of DKK 275 million in 2022 (DKK 343 million in 2021).
- Payment of provisional tax of DKK 46 million in 2022 (DKK 28 million in 2021) for the Parent Company and Danish subsidiaries.
- Refund of residual tax of DKK 292 million in 2022 (DKK 131 million in 2021) for the Parent Company and Danish subsidiaries.
- Interest income of DKK 4 million in 2022 (DKK 1 million in 2021).

Lundbeckfonden exercises controlling influence on H. Lundbeck A/S.

Transactions and balances with the ALK group
There have been no transactions or balances with the ALK group.

Transactions and balances with the Falck group
There have been no material transactions or balances with the Falck group.

Transactions and balances with the registered Executive Management and the Board of Directors
In addition to the transactions with members of the registered Executive Management and the Board of Directors outlined in notes 3 *Employee costs* and 14 *Incentive programs*, the Parent Company has paid dividends on shares held by members of the registered Executive Management and the Board of Directors in H. Lundbeck A/S.

Transactions and balances with other related parties
Other than the above, there have been no material transactions or balances with other related parties.

Note 23

23 LIST OF SUBSIDIARIES

The list below shows the subsidiaries in the Group.

	Purpose	Share of voting rights and ownership %
Lundbeck Argentina S.A., Argentina	Sales and distribution	100
Lundbeck Australia Pty Ltd, Australia, including	Sales and distribution	100
- CNS Pharma Pty Ltd, Australia	Sales and distribution	100
Lundbeck Austria GmbH, Austria	Sales and distribution	100
Lundbeck S.A., Belgium	Sales and distribution	100
Lundbeck Brasil Ltda., Brazil	Sales and distribution	100
Lundbeck Canada Inc., Canada	Sales and distribution	100
Lundbeck Chile Farmacéutica Ltda., Chile	Sales and distribution	100
Lundbeck (Beijing) Pharmaceuticals Consulting Co., Ltd., China	Sale services	100
Lundbeck Colombia S.A.S., Colombia	Sales and distribution	100
Lundbeck Croatia d.o.o., Croatia	Sale services	100
Lundbeck Czech Republic s.r.o., Czech Republic	Sales and distribution	100
Lundbeck Export A/S, Denmark	Sales and distribution	100
Lundbeck Pharma A/S, Denmark	Sales and distribution	100
Lundbeck Eesti A/S, Estonia	Sales and distribution	100
OY H. Lundbeck AB, Finland	Sales and distribution	100
Lundbeck SAS, France	Sales and distribution	100
Sofipharm SAS, France, including	Other	100
- Elaiapharm SAS, France	Production	100
Lundbeck GmbH, Germany	Sales and distribution	100
Lundbeck Hellas S.A., Greece	Sales and distribution	100
Lundbeck HK Limited, Hong Kong	Sales and distribution	100
Lundbeck Hungária KFT, Hungary	Sales and distribution	100
Lundbeck India Private Limited, India	Sales and distribution	100
Lundbeck (Ireland) Ltd., Ireland	Sales and distribution	100
Lundbeck Israel Ltd., Israel	Sales and distribution	100
Lundbeck Italia S.p.A., Italy	Sales and distribution	100
Lundbeck Pharmaceuticals, Italy S.p.A., Italy, including	Production	100
- Archid S.A., Luxembourg	Sales and distribution	100
Lundbeck Japan K.K., Japan	Sale services	100
Lundbeck Korea Co., Ltd., Republic of Korea	Sales and distribution	100
SIA Lundbeck Latvia, Latvia	Sale services	100
UAB Lundbeck Lietuva, Lithuania	Sale services	100
Lundbeck Malaysia SDN. BHD., Malaysia	Sales and distribution	100
Lundbeck México, SA de CV, Mexico	Sales and distribution	100
Lundbeck B.V., The Netherlands	Sales and distribution	100
Prexton Therapeutics B.V., The Netherlands, including	Other	100
- Prexton Therapeutics S.A., Switzerland	Other	100
Lundbeck New Zealand Limited, New Zealand	Other	100
H. Lundbeck AS, Norway	Sales and distribution	100
Lundbeck Pakistan (Private) Limited, Pakistan	Sales and distribution	100
Lundbeck America Central S.A., Panama	Sales and distribution	100
Lundbeck Peru S.A.C., Peru	Sales and distribution	100
Lundbeck Philippines Inc., Philippines	Sales and distribution	100
Lundbeck Business Service Centre Sp.z.o.o., Poland	Other	100
Lundbeck Poland Sp.z.o.o., Poland	Sales and distribution	100
Lundbeck Portugal - Produtos Farmacêuticos Unipessoal Lda, Portugal	Sales and distribution	100
Lundbeck Romania SRL, Romania	Sales and distribution	100
Lundbeck RUS LLC, Russian Federation	Sale services	100
Lundbeck Singapore PTE. LTD., Singapore	Sales and distribution	100
Lundbeck Slovensko s.r.o., Slovakia	Sales and distribution	100
Lundbeck Pharma d.o.o., Slovenia	Sales and distribution	100
Lundbeck South Africa (Pty) Limited, South Africa, including	Sales and distribution	100
- H. Lundbeck (Proprietary) Limited, South Africa	Other	100
Lundbeck España S.A., Spain	Sales and distribution	100
H. Lundbeck AB, Sweden	Sales and distribution	100
Lundbeck (Schweiz) AG, Switzerland	Sales and distribution	100
Lundbeck İlaç Ticaret Limited Şirketi, Turkey	Sales and distribution	100
Lundbeck Group Ltd. (Holding), UK, including	Other	100
- Lundbeck Limited, UK	Sales and distribution	100
- Lundbeck Pharmaceuticals Ltd., UK	Other	100
- Lifehealth Limited, UK	Other	100
- Lundbeck UK LLP, UK[1]	Other	100

Notes 23-24

23 LIST OF SUBSIDIARIES – CONTINUED

	Purpose	Share of voting rights and ownership %
Lundbeck USA Holding LLC, USA, including	Other	100
- Lundbeck LLC, USA, including	Sales and distribution	100
- Chelsea Therapeutics International, Ltd., USA, including	Other	100
- Lundbeck NA Ltd., USA	Other	100
- Lundbeck Pharmaceuticals LLC, USA	Other	100
- Lundbeck Research USA, Inc., USA	Other	100
- Lundbeck La Jolla Research Center, Inc., USA, including	Research and development	100
- Abide Therapeutics (UK) Limited, UK	Other	100
- Lundbeck Seattle BioPharmaceuticals, Inc., USA, including	Research and development	100
- Alder Biopharmaceuticals Pty., Ltd., Australia	Other	100
- Alderbio Holdings LLC ("ANEV"), USA	Other	100
Lundbeck de Venezuela, C.A., Venezuela	Sales and distribution	100

1) Lundbeck UK LLP is owned by Lundbeck Group Ltd. (Holding), Lundbeck Limited and Lifehealth Limited, all of which have H. Lundbeck A/S as their direct or ultimate parent company.

Alder Biopharmaceuticals Limited Ireland was liquidated in September 2022.

24 SUBSEQUENT EVENTS

No subsequent events have occurred after the balance sheet date that required adjustment to or disclosure in the consolidated financial statements.

25 SIGNIFICANT ACCOUNTING POLICIES

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements, unless otherwise mentioned (see note 1.8 *New standards and amendments issued but not yet effective*).

The Group has made some changes in the presentation of the statement of financial position Management believes that the new presentation is more aligned with industry practice. The changes have no impact on the statement of financial position or equity. The comparative figures for 2021 have been changed accordingly.

Basis of consolidation
The consolidated financial statements comprise the Parent Company H. Lundbeck A/S and entities controlled by the Parent Company.

Translation of foreign currency
On initial recognition, transactions denominated in foreign currencies are translated at standard rates which approximate the exchange rates at the transaction date. Exchange differences arising between the exchange rates at the transaction date and the exchange rates at the date of payment are recognized in profit or loss under financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. The differences between the exchange rates at the balance sheet date and the rates at the time of recognition or settlement are recognized in profit or loss under financial income or financial expenses.

On recognition of foreign subsidiaries having a functional currency different from the one used by the Parent Company, items in the profit or loss are translated at monthly average exchange rates, and non-monetary and monetary balance sheet items are translated at the exchange rates at the balance sheet date. Exchange differences arising when translating the profit or loss and the balance sheet of foreign subsidiaries are recognized in other comprehensive income.

Exchange gains/losses on translation of receivables from and payables to subsidiaries that are considered part of the Parent Company's overall net investment in subsidiaries are recognized in other comprehensive income.

Exchange gains/losses on that part of the bank debt in foreign currency which is used for hedging of the net investments in subsidiaries, and which provides an effective hedging of the exchange gains/losses of the net investments are recognized in other comprehensive income.

Statement of cash flows
The consolidated statement of cash flows is presented in accordance with the indirect method and shows the composition of cash flows, divided into operating, investing and financing activities, and cash and bank balances at the beginning and end of the year.

Cash comprises cash and bank balances.

Note 25

25 SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Cash flows denominated in foreign currencies, including cash flows in foreign subsidiaries, are translated at the average exchange rates for the year as they approximate the actual exchange rates at the date of payment. Cash and bank balances at year-end are translated at the exchange rates at the balance sheet date, and the effect of exchange gains/losses on cash and bank balances is shown as a separate line item in the statement of cash flows.

Financial instruments
Forward exchange contracts and other derivatives are initially recognized in the balance sheet at fair value on the contract date and subsequently remeasured at fair value at the balance sheet date. The fair value of derivatives is determined by applying recognized measurement techniques, whereby assumptions are based on the market conditions prevailing at the balance sheet date. Positive and negative fair values are included in other receivables and other payables, respectively.

Changes in the fair value of derivatives classified as hedging instruments and meeting the criteria for hedge accounting are recognized in other comprehensive income. On recognition of hedged items, income and expenses relating to such hedging transactions are transferred from other comprehensive income and recognized in the same line item as the hedged item.

Changes in the fair value of derivatives not qualifying for hedge accounting are recognized in the statement of profit or loss under financial income or financial expenses as they arise.

Securities, equity investments recognized in other financial assets, derivatives and contingent consideration measured at fair value are classified according to the fair value hierarchy as belonging to levels 1-3 depending on the valuation method applied.

Statement of profit or loss
Revenue
Revenue comprises invoiced sales less expected return of goods for the year, discounts, rebates and revenue-based taxes. Revenue is recognized when the goods are delivered at the agreed destination (point in time), meaning that control of products has transferred to the buyer, and it is probable that the Group will collect the consideration to which it is entitled for transferring the products.

Revenue is measured at the amount of consideration to which the Group expects to be entitled to in exchange for transferring the products. Revenue is recognized net of sales deductions, including product returns as well as discounts, rebates and revenue based taxes.

Moreover, revenue includes licensing income and royalties from out-licensed products, non-refundable down payments and milestone payments relating to research and development collaborations, and income from collaborations on commercialization of products.

Sales-based licensing and royalty income from out-licensed products are recognized in profit or loss under revenue, when the Group provides access to its product rights as it exists throughout the license period. As the performance obligations are satisfied over time, revenue is also recognized over time.

When the Group provides a customer the right to use the product rights as it exists at the point in time at which the license is granted, revenue is recognized at a point in time when control is transferred to the licensee and the license period begins when the customer's rights to the intellectual property is transferred.

Non-refundable down payments and milestone payments received relating to research collaborations are recognized in profit or loss under revenue.

Cost of sales
Cost of sales comprises cost of goods sold, which includes the cost of raw materials, transportation costs, consumables and goods for resale, direct labor and indirect costs of production, including operating costs, and amortization/depreciation and impairment losses relating to product rights and manufacturing facilities.

Sales and distribution costs
Sales and distribution costs comprise costs incurred for the sale and distribution of the Group's products sold during the year. This includes costs incurred for sales campaigns, training and administration of the sales force and for direct distribution, marketing and promotion. Also included are salaries and other costs for the sales, distribution and marketing functions, amortization/depreciation and impairment losses and other indirect costs.

Administrative expenses
Administrative expenses comprise expenses incurred for the management and the administration of the Group, i.e., salaries and other expenses relating to e.g. management, HR, IT and finance functions as well as amortization/depreciation and impairment losses and other indirect costs.

Research and development costs
Research and development costs comprise costs incurred for the Group's research and development functions, i.e., employee costs, amortization/depreciation and impairment losses and other indirect costs as well as costs relating to research and development collaborations.

Research costs are always recognized in profit or loss as they are incurred.

Note 25

25 SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Due to a very long development period and the significant uncertainties inherent in the development of new products, development costs are expensed as incurred in line with industry practice. Consequently, the development costs do not qualify for capitalization as intangible assets until marketing approval by a regulatory authority is obtained or considered highly probable.

Other operating expenses
Other operating expenses comprise other income and expenses relating to operating activities of a secondary nature to the Group. Other operating expenses include integration and transaction costs relating to material acquisitions, income and expenses relating to legal settlements and material gains and losses on the sale or retirement of items of property, plant and equipment.

Financial income and financial expenses
Financial income and financial expenses include interest income and expenses, net gain or loss on securities and other financial assets, including dividends, fair value adjustment of contingent consideration, fair value adjustment of other financial liabilities, foreign currency gains or losses and other financial income and expenses. Interest income or expense is recognized using the effective interest method.

Income tax
The Parent Company and Danish subsidiaries are jointly taxed with the principal shareholder, Lundbeckfonden (Lundbeckfond Invest A/S), and its Danish subsidiaries. The current Danish corporate income tax liability is allocated among the companies of the tax pool in proportion to their taxable income (full allocation subject to reimbursement in respect of tax losses). At the time of the preparation of the financial statements, the allocation of the reimbursement from jointly taxed companies not controlled by the Parent Company is not finalized. Consequently, adjustments to the initial estimates made, if any, will be included as adjustments to prior years in the following financial year.

Tax for the year, which consists of the year's current tax and the change in deferred tax, is recognized in the statement of profit or loss as regards the amount that can be attributed to the net profit or loss for the year, in other comprehensive income as regards the amount that can be attributed to items in other comprehensive income, and in equity as regards the amount that can be attributed to items in equity. The effect of foreign exchange differences on deferred tax is recognized in the statement of financial position as part of the movements in deferred tax.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a tax authority will accept an uncertain tax treatment. The Group measures its tax balances based on either the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Current tax for the year is calculated based on the income tax rates and rules applicable at the reporting date.

Current tax payables and receivables, including contributions payable and receivable under the Danish joint taxation scheme, are recognized in the balance sheet, computed as tax calculated on the taxable income for the year adjusted for provisional tax paid.

Deferred tax is recognized on all temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not recognized on temporary differences arising either on initial recognition of goodwill or from a transaction that is not a business combination, if the temporary difference ascertained at the time of the initial recognition affects neither the financial result nor the taxable income. The tax value of the assets is calculated based on the planned use of the individual assets.

Deferred tax is measured on the basis of the income tax rates and tax rules in force in the respective countries at the balance sheet date. Changes in deferred tax resulting from changed income tax rates or tax rules are recognized in profit or loss.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognized in the balance sheet at the value at which the assets are expected to be realized, either through an offset against deferred tax liabilities or as net tax assets to be offset against future positive taxable income.

Changes in deferred tax concerning expenses for share-based payments are generally recognized in profit or loss. However, if the amount of the tax deduction exceeds the related cumulative expense, it indicates that the tax deduction relates not only to an operating expense, but also to an equity item. In such a case, the excess of the associated current or deferred tax is recognized directly in equity.

Deferred tax in respect of recaptured losses previously deducted in foreign subsidiaries is recognized on the basis of a specific assessment of each individual subsidiary.

Balances on interest deductibility limitations calculated according to the provisions of the Danish Corporation Tax Act are allocated between the jointly-taxed companies according to a joint taxation agreement and are allocated between the companies that are subject to deductibility limitation in proportion to their share of the total limitation. Deferred tax liabilities in respect of these balances are recognized in the balance sheet, whereas deferred tax assets are recognized only if the criteria for recognition of deferred tax assets are met.

Note 25

25 SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Statement of financial position

Intangible assets

Goodwill

On initial recognition, goodwill is measured and recognized as the excess of the cost over the fair value of the acquired assets, liabilities and contingent liabilities.

Development projects

Development costs are recognized in profit or loss as they are incurred unless the conditions for capitalization have been met. Development costs are capitalized only if the development projects are clearly defined and identifiable and where the technical rate of utilization of the project, the availability of adequate resources and a potential future market or development opportunity can be demonstrated. Furthermore, such costs are capitalized only where the intention is to manufacture, market or use the project, when the cost can be measured reliably and when it is probable that the future earnings can cover production, sales and distribution costs, administrative expenses and development costs.

After completion of the development work, development costs are amortized over the estimated useful life. The maximum amortization period for development projects protected by intellectual property rights is consistent with the remaining patent protection period of the rights concerned. Ongoing development projects are tested for impairment at least annually or when there is indication of impairment.

Product rights and other intangible assets

Acquired intellectual property rights in the form of product rights, patents, licenses, customer relationships and software are measured at cost less accumulated amortization and impairment losses. The cost of software comprises the cost of planning, labor and costs directly attributable to the project.

Product rights are amortized over the economic lives of the underlying products, which in all material aspects follow the patent terms, which are currently between five and fifteen years. Other rights are amortized over the period of agreement. Amortization commences when the asset is ready to be brought into use.

Amortization is recognized in profit or loss under cost of sales and research and development costs, respectively.

Borrowing costs to finance the manufacture of intangible assets are recognized in the cost price, if such borrowing costs relate to the production period. Other borrowing costs are expensed.

Gains and losses on the disposal of development projects, patents and licenses are measured as the difference between the selling price less cost to sell and the carrying amount at the time of sale. Gains and losses are recognized in profit or loss; normally in a separate line item or, if considered immaterial to the understanding of the consolidated financial statements, in the same line item as the associated amortization. In general, amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Property, plant and equipment

Property, plant and equipment is measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost includes the costs of purchase and expenses directly attributable to the purchase until the asset is ready for use. The cost of self-constructed assets includes costs directly attributable to the construction of the asset.

Borrowing costs to finance the construction of property, plant and equipment are recognized in the cost price, if such borrowing costs relate to the production period. Other borrowing costs are expensed.

Property, plant and equipment is depreciated on a straight-line basis over the estimated useful lives of the assets:

• Buildings	30 years
• Installations	10 years
• Plant and machinery	3-10 years
• Other fixtures and fittings, tools and equipment	3-10 years
• Leasehold improvements, max.	10 years

Depreciation methods, useful lives and residual values are reassessed annually and adjusted if appropriate. Costs incurred that increase the recoverable amount of an asset are added to the value of the asset as an improvement and are depreciated over the estimated useful life of the improvement.

Gains or losses on the sale or retirement of items of property, plant and equipment are calculated as the difference between the carrying amount and the selling price less cost to sell or discontinuance costs. Gains and losses are recognized in profit or loss; normally in a separate line item or, if considered immaterial to the understanding of the consolidated financial statements, in the same line item as the associated depreciation.

Right-of-use assets are initially measured at cost, which comprises the initial amount of the liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives.

Note 25

25 SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Subsequently, the right-of-use asset is depreciated using the straight-line method from the commencement date to the end of the lease term. Depreciation is recognized in profit or loss. Right-of-use assets are presented as part of property, plant and equipment.

Impairment
Intangible assets with indefinite useful lives and intangible assets not yet commercialized are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they may be impaired. The annual impairment test is performed irrespective of whether there is any indication of impairment.

Intangible assets and property, plant and equipment in use with finite useful lives are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating unit). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Impairment losses are reversed only if the assumptions and estimates underlying the impairment calculation have changed. Indications of impairment or reversal of impairment include the following:
- Research and development results for a product
- Changes in expected cash flows due to lower sales expectations
- Changes in technology
- Changes in assumptions about future use
- Changes in market and legal risks
- Changes in cost structure

Other financial assets
Equity investments that are not investments in associates are classified as other financial assets.

On initial recognition, equity investments are measured at fair value. Subsequently, they are measured at fair value at the balance sheet date, and changes to the fair value are recognized under financial income or financial expenses or in other comprehensive income according to an individual decision for each equity investment.

Inventories
Raw materials, packaging and goods for resale are measured at the latest known cost at the balance sheet date, which is equivalent to cost computed according to the FIFO method. Work in progress and finished goods manufactured by Lundbeck are measured at cost, i.e. the cost of raw materials, consumables, direct labor and indirect costs of production. Indirect costs of production include materials, labor, maintenance of and depreciation on machines, factory buildings and equipment used in the manufacturing process as well as the cost of factory administration and management. Indirect costs of production are allocated based on the normal capacity of the production plant.

Inventories are written down to net realizable value if it is lower than the cost price. The net realizable value of inventories is calculated as the selling price less costs of completion and costs incurred to execute the sale. The net realizable value is determined having regard to marketability, obsolescence and expected selling price developments.

Receivables
Current receivables comprise trade receivables and other receivables arising in the Group's normal course of business.

Other receivables recognized in financial assets are financial assets with fixed or determinable cash flows that are not quoted in an active market and are not derivative financial instruments.

On initial recognition, receivables are measured at fair value and subsequently at amortized cost, which usually corresponds to the nominal value less write-downs to counter the risk of losses. Write-downs are calculated using the 'full lifetime expected credit losses' method, whereby the likelihood of non-fulfilment throughout the lifetime of the financial instrument is taken into consideration. A provision account is used for this purpose.

Securities
On initial recognition, securities (including the bond portfolio), which are included in the Group's documented investment strategy for excess liquidity and recognized under current assets, are measured at fair value. Subsequently, the securities are measured at fair value at the balance sheet date. The fair value is based on publicly quoted prices of the invested assets. Both realized and unrealized gains and losses are recognized in profit or loss under financial income or financial expenses.

Note 25

25 SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Equity

Dividends

Proposed dividends are recognized as a liability at the time of adoption of the dividend resolution at the Annual General Meeting (the time of declaration). Dividends expected to be paid in respect of the year are included in the line item *Profit for the year* in the statement of changes in equity.

Treasury shares

Acquisition and sale of treasury shares as well as dividends are recognized directly in equity under retained earnings.

Share-based payments

Share-based incentive programs in which shares are granted to employees and in which employees may opt to buy shares in the Parent Company (equity-settled programs) are measured at the equity instruments' fair value at the date of grant and recognized under employee costs as and when the employees obtain the right to receive/buy the shares. The offsetting item is recognized directly in equity under retained earnings.

Share price-based incentive programs in which employees have the difference between the agreed price and the actual share price settled in cash (cash-settled programs) are measured at fair value at the date of grant and recognized under employee costs as and when the employees obtain the right to such difference settlement. The cash-settled programs are subsequently remeasured on each balance sheet date and upon final settlement, and any changes in the fair value of the programs are recognized under employee costs. The offsetting item is recognized under liabilities until the time of the final settlement.

Retirement benefit obligations and similar obligations

Defined contribution plans

Payments to defined contribution plans are recognized in profit or loss at the due date, and any contributions payable are recognized in the balance sheet under current liabilities.

Defined benefit plans

The present value of the Group's liabilities relating to future pension payments under defined benefit plans is measured on an actuarial basis once a year on the basis of the pensionable period of employment up to the time of the actuarial valuation. The calculation of present value is based on assumptions of future developments of salary, interest, inflation, mortality and disability rates and other factors. Present value is computed exclusively for the benefits to which the employees have earned entitlement through their employment with Lundbeck. Pension expenses, finance costs and administration fees are recognized in profit or loss under employee costs. Actuarial gains and losses are recognized in other comprehensive income as they are calculated and cannot subsequently be recycled through profit or loss.

The present value of the defined benefit plan liability is recognized less the fair value of the plan assets, and any net obligation is recognized in the balance sheet under non-current liabilities. Any net asset is recognized in the balance sheet as a financial asset, taking into consideration, where relevant, the provisions of IFRIC 14 *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*.

Provisions

Provisions mainly consist of provisions for discounts and rebates, product returns, pending lawsuits and restructuring. A provision is a liability of uncertain timing or amount.

Unsettled discounts and rebates are recognized as provisions, when the timing or amount is uncertain. Where absolute amounts are known, the discounts and rebates are recognized as trade payables.

Return obligations imposed on the Group are recognized as provisions in the balance sheet.
Amounts relating to pending lawsuits are recognized when the outflow is probable and the amount is measured as the best estimate of the costs required to settle the liabilities at the balance sheet date.

In connection with restructurings in the Group, provisions are made only for liabilities set out in a specific restructuring plan on the basis of which the parties affected can reasonably expect that the Group will carry out the restructuring, either by starting to implement the plan or announcing its main components.

Debt

Bank debt and bond debt are recognized at the time of the raising of a loan/issuing of bonds at the fair value of the proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortized cost, which is equivalent to the capitalized value when the effective rate of interest is used. The difference between the proceeds and the nominal value is recognized in profit or loss under financial income or financial expenses over the loan period.

Other payables

Other payables include employee costs payables, contingent consideration, derivative financial instruments, debt to public authorities, payables to shareholders, etc.

Contingent consideration is recognized as part of the business combination and is recognized at fair value considering the passage of time and changes in the applied probability of success. The fair value is assessed at each reporting date and the effect of any adjustments relating to the timing of payment and the probability of success is recognized under financial income or financial expenses.

Note 25

25 SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Payables to shareholders and other payables are measured at amortized cost.

Lease liabilities

Lease liabilities are recognized at the present value of future payments in accordance with the lease agreements and include the present value of future payments relating to reasonably certain extensions. Interest on the lease liabilities is calculated using Lundbeck's incremental borrowing rate and recognized under financial income or financial expenses. The lease liabilities are reduced by any instalments paid to the lessor.

Lundbeck uses the same incremental borrowing rate for lease agreements with similar characteristics.

Changes to lease agreements after initial recognition are accounted for either as a modification to an existing agreement, a separate agreement or a partial disposal depending on the nature of the change. Changes will result in changes to both the lease liability and the right-of-use asset.

Financial Statements of the Parent Company

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NOTES

Statement of profit or loss

1 January – 31 December

	Notes	2022 DKKm	2021 DKKm
Revenue	1	12,722	11,298
Cost of sales	2	3,005	2,732
Gross profit		**9,717**	**8,566**
Sales and distribution costs	2	3,598	3,247
Administrative expenses	2	789	634
Research and development costs	2	3,428	3,600
Profit from operations (EBIT)		**1,902**	**1,085**
Income from investments in subsidiaries	3	345	223
Financial income	4	415	256
Financial expenses	4	461	617
Profit before tax		**2,201**	**947**
Tax on profit for the year	5	345	127
Profit for the year	6	**1,856**	**820**

Statement of financial position – assets

At 31 December

	Notes	2022 DKKm	2021 DKKm
Intangible assets	7	**9,233**	**9,583**
Property, plant and equipment	8	**1,724**	**1,648**
Right-of-use assets	9	**174**	**188**
Investments in subsidiaries	3	10,508	10,539
Receivables from subsidiaries		6,028	5,839
Other financial assets		172	56
Other receivables		3	4
Financial assets		**16,711**	**16,438**
Non-current assets		**27,842**	**27,857**
Inventories	10	**2,671**	**1,848**
Trade receivables		787	709
Receivables from subsidiaries		4,647	2,006
Joint taxation contribution		-	48
Other receivables		531	115
Prepayments		24	116
Receivables		**5,989**	**2,994**
Cash and bank balances		**2,626**	**1,263**
Current assets		**11,286**	**6,105**
Assets		**39,128**	**33,962**

Statement of financial position – equity and liabilities

At 31 December

	Notes	2022 DKKm	2021 DKKm
Share capital		996	996
Proposed dividends		578	398
Hedging reserve		237	(81)
Retained earnings		13,826	12,567
Equity		**15,637**	**13,880**
Deferred tax liabilities	5	923	239
Provisions	11	70	-
Bank debt and bond debt	13	5,096	4,783
Lease liabilities	9	161	174
Payables to subsidiaries	14	9,402	9,066
Other payables		20	20
Non-current liabilities		**15,672**	**14,282**
Provisions	11	20	240
Trade payables		1,790	2,062
Lease liabilities	9	14	14
Payables to subsidiaries		4,860	2,786
Income tax payables		6	-
Other payables		1,129	698
Current liabilities		**7,819**	**5,800**
Liabilities		**23,491**	**20,082**
Equity and liabilities		**39,128**	**33,962**

Statement of changes in equity

At 31 December

	Notes	Share capital DKKm	Proposed dividends DKKm	Hedging reserve DKKm	Retained earnings DKKm	Equity DKKm
Equity at 1 January		**996**	**398**	**(81)**	**12,567**	**13,880**
Profit for the year	6	-	578	-	1,278	1,856
Distributed dividends, gross		-	(398)	-	-	(398)
Dividends received, treasury shares		-	-	-	1	1
Deferred gains/losses on cash flow hedge, exchange rate		-	-	(347)	-	(347)
Deferred gains/losses on cash flow hedge, interest rate		-	-	39	-	39
Deferred gains/losses on cash flow hedge, price		-	-	128	-	128
Exchange gains/losses, hedging (transferred to revenue)		-	-	588	-	588
Buyback of treasury shares		-	-	-	(45)	(45)
Incentive programs		-	-	-	25	25
Tax on transactions in equity	5	-	-	(90)	-	(90)
Equity at 31 December		**996**	**578**	**237**	**13,826**	**15,637**

See note 12 *Equity* in the consolidated financial statements.

Notes 1-3

1 REVENUE

Revenue by region	2022 DKKm	2021 DKKm
Europe	4,423	3,864
United States	6,454	5,079
International markets	2,347	2,150
Total	**13,224**	**11,093**
Other revenue	86	152
Effects from hedging	(588)	53
Total revenue	**12,722**	**11,298**

The geographical structure was changed effective 1 January 2022. See note 2 *Revenue and segment information* in the consolidated financial statements for details.

2 EMPLOYEE COSTS

Breakdown of employee costs	2022 DKKm	2021 DKKm
Short-term employee benefits	1,447	1,396
Retirement benefits	129	125
Social security costs	17	20
Equity- and cash-settled incentive programs	24	34
Severance and other costs from restructuring activities	-	100
Total	**1,617**	**1,675**

Employee costs for the year are included in the following functions in the statement of profit or loss:

Employee costs	2022 DKKm	2021 DKKm
Cost of sales	448	428
Sales and distribution costs	99	177
Administrative expenses	318	347
Research and development costs	752	723
Total	**1,617**	**1,675**

Information on employees

	2022 Number	2021 Number
Average number of full-time employees in the financial year	**1,751**	**1,721**
Number of full-time employees at 31 December	**1,769**	**1,732**

Remuneration of the Registered Executive Management

See notes 3 *Employee costs* and 14 *Incentive programs* in the consolidated financial statements.

Remuneration of the Board of Directors

See note 3 *Employee costs* in the consolidated financial statements.

Incentive programs

See note 14 *Incentive programs* in the consolidated financial statements.

3 INVESTMENTS IN SUBSIDIARIES

	2022 DKKm
Cost at 1 January	10,743
Capital contributions to subsidiaries	29
Cost at 31 December	**10,772**
Impairment at 1 January	204
Impairment of investments in subsidiaries	60
Impairment at 31 December	**264**
Carrying amount at 31 December	**10,508**

In 2022, income from investments in subsidiaries relates to dividends received and impairment losses recognized related to investments in subsidiaries amounting to DKK 345 million. In 2021, income from investments in subsidiaries related to dividends amounting to DKK 223 million.

See note 23 *List of subsidiaries* in the consolidated financial statements for an overview of subsidiaries.

Notes 4-6

4 FINANCIAL INCOME AND EXPENSES

	2022 DKKm	2021 DKKm
Financial income	415	256
Financial expenses	461	617
Net financials, expenses/(income)	**46**	**361**

In 2022, out of total financial income and financial expenses, DKK 369 million (DKK 246 million in 2021) and DKK 173 million (DKK 49 million in 2021) are related to intra-group interest income and expenses, respectively.

In 2022, financial income and financial expenses are impacted by a net exchange loss of DKK 20 million (DKK 163 million in 2021) relating to translation of receivables from and payables to subsidiaries that are considered part of the overall investment in subsidiaries.

Further, in 2022, financial income and financial expenses are impacted by a loss of DKK 163 million (loss of DKK 127 million in 2021) relating to the translation of external loans used for hedging net investments in foreign operations in the U.S.

5 INCOME TAXES

Tax on profit for the year

	2022 DKKm	2021 DKKm
Current tax, joint taxation contribution	27	3
Prior-year adjustments, current tax[1)]	(276)	(51)
Prior-year adjustments, deferred tax[1)]	266	47
Change in deferred tax for the year	418	55
Total tax for the year	**435**	**54**
Tax for the year is composed of:		
Tax on profit for the year	345	127
Tax on transactions in equity	90	(73)
Total tax for the year	**435**	**54**

1) Movements from prior year adjustments, deferred tax to prior year adjustments, current tax, primarily relate to the utilization of tax losses from prior years by jointly taxed companies not controlled by Parent Company

Deferred tax balances

Temporary differences between assets and liabilities as stated in the financial statements and in the tax base	Balance at 1 January DKKm	Adjustment of deferred tax at beginning of year DKKm	Movements during the year DKKm	Balance at 31 December DKKm
Intangible assets	4,808	-	1,028	5,836
Property, plant and equipment	431	-	(2)	429
Inventories	363	-	49	412
Other items	(500)	(269)	603	(166)
Tax loss carryforwards etc.	(4,017)	1,480	223	(2,314)
Total temporary differences	**1,085**	**1,211**	**1,901**	**4,197**
Deferred (tax assets)/tax liabilities	**239**	**266**	**418**	**923**

The major assumptions relating to the recognition and measurement of tax assets are described in note 5 *Income taxes* in the consolidated financial statements.

Movements in deferred tax	2022 DKKm	2021 DKKm
Balance at 1 January	239	137
Movements related to transactions recognized in profit or loss	656	102
Movements related to transactions recognized in equity	28	-
Balance at 31 December	**923**	**239**

6 DISTRIBUTION OF PROFIT

Proposed distribution of profit for the year	2022 DKKm	2021 DKKm
Proposed dividends for the year	578	398
Transferred to/from distributable reserves	1,278	422
Total profit for the year	**1,856**	**820**
Proposed dividend per share (DKK)	**0.58**	**0.40**

See note 12 *Equity* in the consolidated financial statements for details on treasury shares.

Notes 7-8

7 INTANGIBLE ASSETS

Intangible assets	Product rights[1] DKKm	Other rights[2] DKKm	Projects in progress[2] DKKm	Total intangible assets DKKm
Cost at 1 January	16,454	1,749	104	18,307
Transfers	-	50	(50)	-
Additions	359	15	66	440
Disposals	-	(61)	(17)	(78)
Cost at 31 December	**16,813**	**1,753**	**103**	**18,669**
Amortization and impairment losses at 1 January	7,097	1,627	-	8,724
Amortization	688	52	-	740
Disposals	-	(28)	-	(28)
Amortization and impairment losses at 31 December	**7,785**	**1,651**	**-**	**9,436**
Carrying amount at 31 December	**9,028**	**102**	**103**	**9,233**

1) In 2022, product rights not yet commercialized amounted to DKK 2,322 million (DKK 6,341 million in 2021).

2) Other rights and projects in progress primarily include items such as the IT system SAP.

For details on material product rights and impairment testing, see *note 6 Intangible assets* in the consolidated financial statements.

8 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment	Land and buildings DKKm	Plant and machinery DKKm	Other fixtures and fittings, tools and equipment DKKm	Prepayments and assets under construction DKKm	Total property, plant and equipment DKKm
Cost at 1 January	3,195	1,087	507	425	5,214
Transfers	156	31	9	(196)	-
Additions	7	11	2	216	236
Disposals	(20)	(74)	(14)	-	(108)
Cost at 31 December	**3,338**	**1,055**	**504**	**445**	**5,342**
Depreciation and impairment losses at 1 January	2,202	907	457	-	3,566
Depreciation	92	42	20	-	154
Impairment losses	3	1	-	-	4
Disposals	(19)	(73)	(14)	-	(106)
Depreciation and impairment losses at 31 December	**2,278**	**877**	**463**	**-**	**3,618**
Carrying amount at 31 December	**1,060**	**178**	**41**	**445**	**1,724**

Pledged assets

No land and buildings were mortgaged at 31 December 2022. No other assets have been pledged.

Notes 9-12

9 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Land and buildings	2022 DKKm	2021 DKKm
Cost at 1 January	227	220
Adjustment to right-of-use assets during the year[1)]	-	7
Cost at 31 December	**227**	**227**
Depreciation and impairment losses at 1 January	39	26
Depreciation	14	13
Depreciation and impairment losses at 31 December	**53**	**39**
Carrying amount at 31 December	**174**	**188**

1) Comprises reassessment of lease term and renewal of lease agreements

Amounts recognized in profit or loss	2022 DKKm	2021 DKKm
Expense relating to short-term leases, not capitalized	1	2
Depreciation of right-of-use assets, land and buildings	14	13
Total recognized in profit or loss	**15**	**15**

Maturity analysis of lease liabilities	2022 DKKm	2021 DKKm
Within one year	14	14
Between one year and five years	54	54
After five years	107	120
Lease liabilities at 31 December	**175**	**188**

10 INVENTORIES

	2022 DKKm	2021 DKKm
Raw materials and consumables	185	162
Work in progress	2,066	1,342
Finished goods and goods for resale	420	344
Total	**2,671**	**1,848**

11 PROVISIONS

	2022 DKKm
Provisions at 1 January	240
Additional provisions recognized	70
Provisions used during the year	(82)
Reversal of unused provisions	(138)
Provisions at 31 December	**90**

The Parent Company has entered into agreements with individual subsidiaries, under which the Parent Company will cover expected losses and obligations concerning restructuring programs. The provisions in the Parent Company therefore cover such losses and obligations.

At 31 December 2022, the total restructuring provision amounted to DKK 20 million (DKK 240 million at 31 December 2021). In 2022, DKK 82 million of the restructuring provision was used and DKK 138 million was reversed, due to lower than expected usage.

In addition, provisions comprise liabilities relating to items such as legal disputes.

12 CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Pending legal proceedings

H. Lundbeck A/S (the "Company") is involved in a number of legal proceedings, including patent disputes, the most significant of which are described below. The outcome of these proceedings is not expected to have a material impact on the Group's financial position or cash flows beyond the amount already provided for in the financial statements, or it is too uncertain to make a reliable provision. Such proceedings will, however, develop over time, and new proceedings may occur which could have a material impact on the Group's financial position and/or cash flows.

In June 2013, the Company received the European Commission's decision that agreements concluded with four generic competitors concerning citalopram violated competition law. The decision included fining the Company EUR 93.8 million (approximately DKK 700 million). The Company paid and expensed the fine in the third quarter of 2013. In March 2021, the European Court of Justice rejected the Company's final appeal of the European Commission's decision. So-called "follow-on claims" for reimbursement of alleged losses, resulting from alleged violation of competition law, often arise when decisions and fines issued by the European

Note 12

12 CONTINGENT ASSETS AND CONTINGENT LIABILITIES - CONTINUED

Commission are upheld by the European Court of Justice. Health authorities in the UK and an umbrella organization of Dutch health insurance companies have taken formal protective steps against the Company with the principal purpose of preventing potential claims from being time-barred under the applicable statutes of limitation. In September 2021, the UK proceedings were transferred from the High Court to the Competition Appeal Tribunal at the request of the parties. Late September 2022, the Company received a required eight weeks' notice, which means that the UK health authorities may submit its claim to the court after 25 November 2022. The Company expects that the UK health authorities will now pursue their alleged claims. Further, in late October 2021, the Company received a writ of summons from a German health care company claiming compensation for an alleged loss of profit plus interest payments, allegedly resulting from the Company's conclusion of agreements with two of the four generic competitors, which were comprised by the EU Court of Justice ruling. The Company has filed its first defense in May 2022 and the parties have subsequently exchanged additional pleadings. The court date for the first instance hearing has not yet been fixed and it may take several years before a final conclusion is reached by the German courts. Finally, in March and April 2022, the Company received letters from several regional health authorities in Spain specifically stating that they intend to interrupt the statute of limitation. It is still uncertain whether the health authorities in Spain will actively pursue any claims. The Company disagrees with all claims and intends to defend itself against them.

In Canada, the Company is involved in three product liability class-action lawsuits relating to Cipralex/Celexa® (two cases alleging various Celexa-induced birth defects and one case against several SSRI manufacturers (incl. the Company) alleging that SSRI (Celexa/Lexapro®) induces autism birth defect), three relating to Abilify Maintena® (alleging i.a. failure to warn about compulsive behavior side effects) and one relating to Rexulti® (also alleging i.a. failure to warn about compulsive behavior side effects). The cases are in the preliminary stages and as such there is significant uncertainty as to how these lawsuits will be resolved. The Company strongly disagrees with the claims raised.

In 2018, the Company entered into settlements with three of four generic companies involved in an Australian federal court case, in which the Company was pursuing patent infringement and damage claims over the sale of escitalopram products in Australia. The Company received AUD 51.7 million (DKK 242 million) in 2018. In the Company's case against the last of the four generic companies, Sandoz Pty Ltd, the Federal Court found that Sandoz Pty Ltd had infringed the Company's escitalopram patent between 2009 and 2012 and awarded the Company AUD 26.3 million in damages. Sandoz' appeal of the decision was heard in May 2019 and the Full Federal Court has in August 2020 allowed Sandoz' appeal and decided that Sandoz is not liable for damages. The High Court of Australia has now allowed the Company's appeal and overturned the Full Federal Court decision on all major issues. The case has been send back to the Federal Court for recalculation of damages and the Company's appeal of the Australian Patent Office's decision to grant Sandoz a license will be restarted.

Together with Takeda, the Company instituted patent infringement proceedings against 16 generic companies in response to their filing of Abbreviated New Drug Applications ("ANDAs") with the U.S. FDA seeking to obtain marketing approval for generic versions of Trintellix® in the U.S. Two opponents have since withdrawn and the Company has settled with eight opponents. As communicated by the Company in company release no. 706 dated October 1, 2021, the cases against the six remaining opponents (the "ANDA Filers") have been decided by the U.S. District Court for the District of Delaware (the 'Court'). The Court found that the Company's compound patent (U.S. Patent No. 7,144,884) is valid. The compound patent expires on 17 June 2026, with an expected six-month pediatric exclusivity period extending to 17 December 2026. Assuming the ruling is confirmed at appeal, final approval will not be granted to the relevant ANDA Filers until after expiration of the compound patent, including any extension or additional periods of exclusivity. A total of seven other patents asserted at trial were found by the Court to be valid or their validity was not challenged during the trial. The Court decided that none of the seven other patents were infringed by the relevant ANDA Filers, except that Lupin was found to infringe a patent covering the Company's process for manufacturing vortioxetine. Unless and until the Court's ruling is reversed on appeal, the patents found not infringed by a particular ANDA Filer will not prevent that ANDA Filer from receiving final approval. For details on each of the patents comprised by the case, please see company release no. 706. The Court's decision has been appealed by the Company to the U.S. Court of Appeals for the Federal Circuit. Lupin has appealed with respect to the process patent and the ANDA Filers have cross appealed with respect to the validity of two of the seven other patents. The validity of the compound patent has not been challenged under the appeal.

Together with Otsuka Pharmaceutical, the Company has instituted patent infringement proceedings against several generic companies that have applied for marketing authorization for generic versions of Rexulti® (brexpiprazole) in the U.S. The proceedings have now been resolved. The compound patent remains valid until 23 June 2029, including expected pediatric extensions.

The Company and Otsuka have received a Paragraph IV certification from Mylan Pharmaceuticals with respect to certain of the patent listed for Abilify Maintena® in the U.S., and Otsuka and the Company have instituted patent infringement proceedings against Mylan and Viatris Inc. The U.S. FDA cannot grant marketing authorization in the U.S. to Mylan or Viatris Inc. before the patents expire, unless they receive a decision in their favor. A District Court decision is currently expected by August 2024. Abilify Maintena® is covered by several U.S. patents relating to specific forms of the active ingredient, formulations, processes, devices, indications and methods of use, which will expire in different years, with the latest patent expiry date in the United States being in 2034.

The Parent Company has been involved in environmental investigations. The Company does not consider it probable that the investigation will result in a liability.

Notes 12-17

12 CONTINGENT ASSETS AND CONTINGENT LIABILITIES - CONTINUED

Joint taxation
The Parent Company is part of a Danish joint taxation scheme with Lundbeckfonden (Lundbeckfond Invest A/S including subsidiaries), according to which the Parent Company has partly a joint and several liability and partly a secondary liability with respect to corporate income taxes, etc. for the jointly-taxed companies. In addition, the Parent Company has partly a joint and several liability and partly a secondary liability with respect to any obligations to withhold tax on interest, royalties and dividends for these companies. However, in both cases the secondary liability is capped at an amount equal to the share of the capital of the company directly or indirectly owned by the ultimate parent company. The total tax obligation under the joint taxation scheme is shown in the financial statements of Lundbeckfond Invest A/S.

Letters of intent
The Parent Company has entered into agreements to cover operating losses in certain subsidiaries.

As collateral for bank guarantees, the Parent Company has issued letter of intent to the banks in the amount of DKK 7 million (DKK 7 million in 2021) on behalf of subsidiaries.

13 BANK DEBT AND BOND DEBT

Bank debt and bond debt falling due after more than five years from the balance sheet date amounted to DKK 0 million at 31 December 2022 (DKK 3,700 million at 31 December 2021).

14 PAYABLES TO SUBSIDIARIES

Payables to subsidiaries falling due after more than five years from the balance sheet date amounted to DKK 9,402 million at 31 December 2022 (DKK 9,066 million at 31 December 2021).

15 FINANCIAL INSTRUMENTS

Foreign currency management is handled by the Parent Company. See note 19 *Financial instruments* in the consolidated financial statements.

The fair value of derivatives at year-end is disclosed in note 19 *Financial instruments* in the consolidated financial statements. The fair value adjustment recognized in equity is disclosed in the statement of changes in equity in the financial statements of the Parent Company. All fair value adjustments are initially recognized in equity.

16 AUDIT FEES

	2022 DKKm	2021 DKKm
Statutory audit	4	3
Assurance engagements other than audit	1	1
Tax advisory	-	2
Other services	4	3
Fee to PricewaterhouseCoopers	**9**	**9**

17 CONTRACTUAL OBLIGATIONS

Research and development milestones and collaborations
The Parent Company has entered into a number of agreements relating to research and development of new products and intellectual property rights from acquisitions, as well as other collaborations. According to the agreements, Lundbeck is committed to pay certain milestones.

At 31 December 2022, potential future milestone payments totaled to DKK 1,095 million (DKK 1,031 million at 31 December 2021).

Sales milestones
The Parent Company is committed to pay certain commercial sales milestones, royalties or other payments based on a percentage of sales generated from sale of goods following marketing approval. These amounts are excluded from the contractual obligations because of their contingent nature, dependent on future sales.

Other purchase obligations
The Parent company has undertaken purchase obligations relating to property, plant and equipment in the amount of DKK 24 million (DKK 48 million in 2021).

Notes 18-20

18 RELATED PARTIES

For information on related parties exercising controlling influence on the Parent Company, see note 22 *Related parties* in the consolidated financial statements.

The Parent Company is included in the consolidated financial statements of Lundbeckfonden.

The Parent Company had transactions with subsidiaries during 2022. The Parent Company's share of ownership of all subsidiaries is 100%. The Parent Company did not enter into any transactions with other related parties that were not on an arm's length basis.

19 SUBSEQUENT EVENTS

See note 24 *Subsequent events* in the consolidated financial statements.

20 SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Parent Company H. Lundbeck A/S have been prepared in accordance with the Danish Financial Statements Act applying to enterprises in reporting class D. The financial statements are presented in Danish kroner (DKK). All amounts have been rounded to the nearest DKK million, unless otherwise indicated.

Assets and liabilities are presented in the balance sheet according to a current/non-current classification.

The accounting policies for the financial statements of the Parent Company remain unchanged from the previous financial year.

Differences relative to the accounting policies for the consolidated financial statements
The Parent Company's accounting policies for recognition and measurement are consistent with the accounting policies for the consolidated financial statements with the exceptions stated below. For a description of the accounting policies of the Group, please refer to the consolidated financial statements.

Statement of profit or loss
Income from investments in subsidiaries
Income from investments in subsidiaries includes dividends from subsidiaries, which are recognized in the Parent Company's statement of profit or loss when the Parent Company's right to receive such dividends has been approved. Further, income from investments in subsidiaries includes proceeds from liquidation of subsidiaries and any impairment losses or reversals of impairment losses on investments in subsidiaries.

Exchange gains/losses
Exchange gains/losses on translation of receivables from and payables to subsidiaries that are considered part of the overall investment in subsidiaries are recognized in profit or loss under financial income or financial expenses.

Exchange gains/losses on that part of the bank debt in foreign currency which is used for hedging of the net investments in subsidiaries and which provides an effective hedging of the exchange gains/losses of the net investments are recognized in profit or loss under financial income or financial expenses.

Statement of financial position
Investments in subsidiaries
Investments in subsidiaries are measured at cost in the Parent Company's financial statements. Where the recoverable amount of the investments is lower than cost, the investments are written down to this lower value. In addition, cost is written down to the extent that dividends distributed exceed the accumulated earnings in the subsidiary since the acquisition date.

Other financial assets
On initial recognition, investments are measured at cost, corresponding to fair value plus directly attributable costs. Subsequently, they are measured at fair value at the balance sheet date. Any fair value adjustments on equity investments recognized in other comprehensive income in the consolidated financial statements are recognized under financial income or financial expenses in the Parent Company's statement of profit or loss.

Statement of changes in equity
Pursuant to the Danish Financial Statements Act, entries recognized in the statement of comprehensive income in the consolidated financial statements are recognized directly in the statement of changes in equity in the Parent Company's financial statements, except for entries concerning exchange gains/losses on translation of receivables from and payables to subsidiaries, entries providing an effective hedge against foreign exchange gains/losses on the net investment and entries concerning other financial assets.

Statement of cash flows
In accordance with the exemption clause in section 86(4) of the Danish Financial Statements Act, no separate statement of cash flows has been prepared for the Parent Company as it is included in the consolidated statement of cash flows.

Management Statement

The Board of Directors and the registered Executive Management have today considered and adopted the Annual Report of H. Lundbeck A/S for the financial year 1 January to 31 December 2022.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act, and the Parent Company financial statements have been prepared in accordance with the Danish Financial Statements Act. Management review has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the Parent Company financial statements give a true and fair view of the financial position at 31 December 2022 of the Group and the Parent Company and of the results of the Group and Parent Company operations and consolidated cash flows for the financial year 1 January to 31 December 2022.

In our opinion, Management review includes a true and fair account of the development in the operations and financial circumstances of the Group and the Parent Company, of the results for the year and of the financial position of the Group and the Parent Company as well as a description of the most significant risks and elements of uncertainty facing the Group and the Parent Company.

In our opinion, the Annual Report of H. Lundbeck A/S for the financial year 1 January to 31 December 2022 identified as HLUNDBECK-2022-12-31-en.zip is prepared, in all material respects, in compliance with the ESEF Regulation.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Copenhagen, 8 February 2023

REGISTERED EXECUTIVE MANAGEMENT

Deborah Dunsire
President and CEO

Lars Bang
Executive Vice President, Product, Development & Supply

Joerg Hornstein
Executive Vice President, CFO

Per Johan Luthman
Executive Vice President, Research & Development

Jacob Tolstrup
Executive Vice President, Commercial Operations

BOARD OF DIRECTORS

Lars Søren Rasmussen
Chair of the Board

Lene Skole-Sørensen
Deputy Chair

Santiago Arroyo

Jeffrey Berkowitz

Lars Erik Holmqvist

Jeremy Max Levin

Ilse Dorothea Wenzel

Hossein Armandi
Employee representative

Lasse Skibsbye
Employee representative

Dorte Clausen
Employee representative

Camilla Gram Andersson
Employee representative

Independent Auditor's Reports

TO THE SHAREHOLDERS OF H. LUNDBECK A/S

Report on the audit of the financial statements

Our opinion

In our opinion, the consolidated financial statements (pages 49-89) give a true and fair view of the Group's financial position at 31 December 2022 and of the results of the Group's operations and cash flows for the financial year 1 January to 31 December 2022 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

Moreover, in our opinion, the Parent Company financial statements (pages 90-100) give a true and fair view of the Parent Company's financial position at 31 December 2022 and of the results of the Parent Company's operations for the financial year 1 January to 31 December 2022 in accordance with the Danish Financial Statements Act.

Our opinion is consistent with our Auditor's Long-form Report to the Audit Committee and the Board of Directors.

What we have audited

The consolidated financial statements of H. Lundbeck A/S for the financial year 1 January to 31 December 2022 comprise the consolidated statement of profit or loss and statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows and the notes, including summary of significant accounting policies.

The Parent Company financial statements of H. Lundbeck A/S for the financial year 1 January to 31 December 2022 comprise the statement of profit or loss, the statement of financial position, the statement of changes in equity, and the notes, including summary of significant accounting policies.

Collectively referred to as the "financial statements".

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark. We have also fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

To the best of our knowledge and belief, prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 were not provided.

Appointment

We were first appointed auditors of H. Lundbeck A/S on 24 March 2020 for the financial year 2020. We have been reappointed annually by shareholder resolution for a total period of uninterrupted engagement of 3 years including the financial year 2022.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Reports

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Key audit matter	How our audit addressed the key audit matter
Sales deductions in the U.S. The Group provides rebates and discounts to customers in the U.S. that fall under certain government mandated reimbursement arrangements, of which the most significant is Medicaid. These arrangements result in deductions to gross sales in arriving at net revenue. The period passing between the sales to distributors and payment of the related rebates under the U.S. Federal and State Government Healthcare programs may be several months and requires the unsettled amounts to be recognized as a provision. The provision for rebates and discounts is based on several significant assumptions, including estimated rebate percentages and estimation of time from sale of the individual products to receipt of invoice under the U.S. Federal and State Government Healthcare programs. We focused on these arrangements because they are complex and require significant estimation by Management in establishing an appropriate provision for the unsettled amounts. This included estimation of sales volumes subject to the rebates, estimation of applicable rebate rates, and estimation of the lag time described above. We refer to note 1.5, 15 and 25 in the consolidated financial statements.	We performed risk assessment procedures to obtain an understanding of the IT systems, business processes and relevant controls for rebates and discounts in the U.S.. We assessed whether the controls were designed and implemented to effectively address the risk of material misstatements. For selected controls, which we planned to rely on, we tested whether these were performed on a consistent basis. We obtained Management's calculations under the reimbursement arrangements and evaluated the accuracy of the calculations made. Further, we assessed, tested and challenged key data inputs and significant assumptions applied by management, including the estimate of the period from sale to receipt of invoice. We considered the Group's historical provisions by comparing the actual rebate with the rebate percentage estimate used by Management to recognize the provision, including performing a retrospective review of the prior period provisions compared to subsequent payments to evaluate the accuracy of Management's estimate and to identify any potential management bias. We evaluated the presentation and disclosures of sales deductions in the U.S. in the consolidated financial statements.
Impairment of product rights Product rights are tested when there is an indication of impairment, and product rights not yet commercialized are tested annually for impairment. The recoverability of the carrying value of product rights is contingent on future cash flows and/or the outcome of research and development activities. The determination of the recoverable amounts includes significant estimates, which are highly sensitive and depend upon key assumptions and judgments, including the probability of technical and regulatory success, amount and timing of projected future cash flows, patent expiry, and discount rate assumptions. Changes in these assumptions could have an impact on the recoverable amount of product rights. We focused on this area as the amounts involved are material and there is a risk that the product rights will be impaired if the key assumptions deviate negatively from the expectations. We refer to note 1.5, 6 and 25 in the consolidated financial statements.	We performed risk assessment procedures to obtain an understanding of the business processes and relevant controls for impairment indicators and the determination of the recoverability amount of product rights. We assessed whether the controls were designed and implemented to effectively address the risk of material misstatements. For selected controls, which we planned to rely on, we tested whether these were performed on a consistent basis. For product rights with impairment indicators and product rights not yet commercialized, we among others: • Tested Management's process for determining the recoverable amount; • Evaluated the appropriateness of the methodology used in the impairment tests; • Evaluated Management's key assumptions and judgments used in the impairment tests, including the probability of technical and regulatory success, amount and timing of projected future cash flows, and impact of the expiry of patents; • Tested the underlying data used in the impairment tests, including reconciliation of the cash flows to Management approved Long Term Plan and forecasts; • Included our in-house valuation experts to assess the valuation techniques used and to assist with the evaluation of certain key assumptions, including the discount rates applied; and • Performed 'stand-back' procedures to evaluate the audit evidence obtained. We evaluated the disclosures of impairment testing in the Financial Statements.

Independent Auditor's Reports

Continued

Statement on Management review
Management is responsible for Management's Review (pages 3-47 and pages 106-107, respectively).

Our opinion on the financial statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Moreover, we considered whether Management's Review includes the disclosures required by the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the consolidated financial statements and the Parent Company financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Management's responsibilities for the financial statements
Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act and for the preparation of parent company financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Independent Auditor's Reports

Continued

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Report on compliance with the ESEF Regulation

As part of our audit of the financial statements we performed procedures to express an opinion on whether the annual report of H. Lundbeck A/S for the financial year 1 January to 31 December 2022 with the filename HLUNDBECK-2022-12-31-en.zip is prepared, in all material respects, in compliance with the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) which includes requirements related to the preparation of the annual report in XHTML format and iXBRL tagging of the consolidated financial statements including notes.

Management is responsible for preparing an annual report that complies with the ESEF Regulation. This responsibility includes:

- The preparing of the annual report in XHTML format;
- The selection and application of appropriate iXBRL tags, including extensions to the ESEF taxonomy and the anchoring thereof to elements in the taxonomy, for all financial information required to be tagged using judgement where necessary;
- Ensuring consistency between iXBRL tagged data and the consolidated financial statements presented in human-readable format; and
- For such internal control as Management determines necessary to enable the preparation of an annual report that is compliant with the ESEF Regulation.

Our responsibility is to obtain reasonable assurance on whether the annual report is prepared, in all material respects, in compliance with the ESEF Regulation based on the evidence we have obtained, and to issue a report that includes our opinion. The nature, timing and extent of procedures selected depend on the auditor's judgement, including the assessment of the risks of material departures from the requirements set out in the ESEF Regulation, whether due to fraud or error. The procedures include:

- Testing whether the annual report is prepared in XHTML format;
- Obtaining an understanding of the company's iXBRL tagging process and of internal control over the tagging process;
- Evaluating the completeness of the iXBRL tagging of the consolidated financial statements including notes;
- Evaluating the appropriateness of the company's use of iXBRL elements selected from the ESEF taxonomy and the creation of extension elements where no suitable element in the ESEF taxonomy has been identified;
- Evaluating the use of anchoring of extension elements to elements in the ESEF taxonomy; and
- Reconciling the iXBRL tagged data with the audited consolidated financial statements, including notes.

In our opinion, the annual report of H. Lundbeck A/S for the financial year 1 January to 31 December 2022 with the file name HLUNDBECK-2022-12-31-en.zip is prepared, in all material respects, in compliance with the ESEF Regulation.

Hellerup, 8 February 2023

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR no. 33 77 12 31

Lars Baungaard
State Authorized Public Accountant
mne23331

Torben Jensen
State Authorized Public Accountant
mne18651

Core Reconciliation

(part of Management Review – not audited)

As a general rule, Lundbeck adjusts for amortization of product rights and for each non-recurring item that Management deems exceptional and/or which accumulates or is expected to accumulate to an amount exceeding a DKK 100 million threshold. Lundbeck's core reporting is a non-IFRS performance measurement. Lundbeck's core results, including core operating income (core EBIT) and core EPS, exclude:

Amortization of product rights

Impairment of intangible assets and property, plant and equipment as well as inventory valuation adjustment

Major restructuring costs

Acquisition and integration costs, including:

- Accounting adjustments relating to the consolidation of material acquisitions and disposals of associates, products and businesses
- Costs associated with the integration of newly acquired companies
- Retention costs
- Transaction costs
- Legal fees and settlements, including:
- Legal costs (external), charges (net of insurance recoveries) and expenses relating to settlement of litigations, government investigations and other disputes
- Income from settlement of litigations and other disputes

Core results	Reported result DKKm	Amortization of product rights DKKm	Impairment and inventory valuation DKKm	Major restructuring DKKm	Acquisition and integration costs DKKm	Legal fees and settlements DKKm	Divestments/ sales milestones DKKm	Core result DKKm
1 January - 31 December 2022								
Revenue	18,246	-	-	-	-	-	-	18,246
Cost of sales	3,951	(1,371)	-	-	-	-	-	2,580
Gross profit	**14,295**	**1,371**	**-**	**-**	**-**	**-**	**-**	**15,666**
Sales and distribution costs	6,610	-	-	126	-	-	-	6,736
Administrative expenses	1,079	-	-	7	-	(70)	-	1,016
Research and development costs	3,754	-	-	5	-	-	-	3,759
Profit from operations (EBIT)	**2,852**	**1,371**	**-**	**(138)**	**-**	**70**	**-**	**4,155**
Net financials, expenses	378	-	-	-	-	-	(278)	100
Profit before tax	**2,474**	**1,371**	**-**	**(138)**	**-**	**70**	**(278)**	**4,055**
Tax on profit for the year	558	315	-	(30)	-	15	-	858
Profit for the year	**1,916**	**1,056**	**-**	**(108)**	**-**	**55**	**(278)**	**3,197**
Earnings per share, basic (EPS) (DKK)	1.93	1.06	-	(0.11)	-	0.06	0.28	3.22

Core Reconciliation

(part of Management Review – not audited)

Continued

Divestments/milestones, including:

- Income/expenses from discontinued operations
- Gains/losses on divestments of assets
- Received or expensed upfront sales and development milestones

The adjusted core result is taxed at the underlying corporate tax rate.

Core results	Reported result DKKm	Amortization of product rights DKKm	Impairment and inventory valuation DKKm	Major restructuring DKKm	Acquisition and integration costs DKKm	Legal fees and settlements DKKm	Divestments/ sales milestones DKKm	Core result DKKm
1 January - 31 December 2021								
Revenue	16,299	-	-	-	-	-	-	16,299
Cost of sales	3,648	(1,274)	-	(37)	-	-	-	2,337
Gross profit	**12,651**	**1,274**	**-**	**37**	**-**	**-**	**-**	**13,962**
Sales and distribution costs	5,885	-	-	(162)	-	-	-	5,723
Administrative expenses	933	-	-	(31)	-	-	-	902
Research and development costs	3,823	-	-	(3)	-	-	-	3,820
Profit from operations (EBIT)	**2,010**	**1,274**	**-**	**233**	**-**	**-**	**-**	**3,517**
Net financials, expenses	429	-	-	-	-	-	-	429
Profit before tax	**1,581**	**1,274**	**-**	**233**	**-**	**-**	**-**	**3,088**
Tax on profit for the year	263	276	-	51	-	-	-	590
Profit for the year	**1,318**	**998**	**-**	**182**	**-**	**-**	**-**	**2,498**
Earnings per share, basic (EPS) (DKK)	1.33	1.00	-	0.18	-	-	-	2.51

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